FINANCIAL TIMES

Sexist scientists

Rampant bias in peer reviews

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US-EU trade

Turbulence ahead over Boeing-McDonnell deal

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Robert Reich

Confessions of a power parking lot lobbyist

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Middle East

Is the peace process salvageable?

Page 4

World Business Newspaper http://www.FT.com THURSDAY MAY 22 1997

Best business books

Winners of the FT/Booz-Allen & Hamilton Global Business Book Awards

Details, Page 14

Veba group buys 36% Degussa stake for DM2.9bn

Düsseldorf-based power and industrial group Veba bolstered its chemicals activities by paying DM2.9bn ($1.7bn) for a 36.4 per cent stake in Degussa, the Frankfurt-based international chemicals concern. Veba chairman Ulrich Hartmann said the deal paved the way for wide-ranging co-operation between the businesses. The Veba conglomerate, which supplies about a fifth of Germany's electricity, is planning a New York Stock Exchange debut in October. Page 15; Lex, Page 14

Call for tougher patents: The European chemical industry called for stronger and simpler European patent legislation, with early adoption of a European Union directive on the patenting of biotechnology inventions. Page 5; Editorial Comment, Page 13

Lawyers granted freer movement in EU: Lawyers in the European Union who want to set up a permanent practice elsewhere in the union will no longer have to prove they fully understand the legal rules of the host country, EU ministers decided. Page 2

UK to scrap landmines: Britain is to scrap its stockpile of landmines by 2005 in an initiative to encourage a worldwide ban. Page 10

Celltech drops treatment: The UK's biotechnology industry sustained a heavy blow when Celltech, one of the sector's leading companies, said its treatment for septic shock was being dropped after poor trial results. Page 15; Editorial Comment, Page 13; Lex, Page 14

Boeing to raise production: US aircraft maker Boeing plans to increase production by 48 per cent to 43 aircraft a month by the second quarter of next year to cope with demand. Page 5; Storm over the Atlantic, Page 13

Troops mass on Kurdish border: Iran, Iraq and Syria are massing troops along the border of the Kurdish enclave in northern Iraq where a week-long Turkish offensive against Kurdish separatists is continuing. Page 4

US exports hit record: Aircraft sales helped push US exports to a record $76.5bn in March, shrinking the trade deficit in goods and services to $8.5bn, the US commerce department said. Page 8

JCI expects to merge with Lonrho: Mzi Khumalo, chairman of JCI, South Africa's first black-controlled mining house, said he expected the company to merge with UK-listed conglomerate Lonrho to form a £2bn ($3.2bn) group with interests in gold, coal and platinum. Page 15

Toyota 50% ahead: Toyota, Japan's largest carmaker, lifted annual net profits 50 per cent to Y385.9bn ($3.06bn), helped by the weaker yen, cost cuts and a range of new recreational vehicles. Page 15; Collective effort takes Toyota just so far, Page 19

Fidelity plans to offer life assurance: Fidelity Investments, the largest US fund manager, plans to sell life assurance direct to US consumers. Page 15

Burma detains opposition supporters: Burma's military government arrested at least 60 members of the opposition National League for Democracy, apparently to prevent them attending a party congress. Page 6

Left blamed for Indonesia violence: Indonesian authorities blamed an illegal left-wing group for political violence that has marred the country's election campaign. Polling takes place next week. Page 6

HK investors rush for 'red chips': Hong Kong banks were invaded by investors anxious to buy shares in Beijing Enterprises, investment arm of Beijing municipal government, whose shares are to be offered on the Hong Kong stock exchange. Page 6

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,240.41	(-63.05)
NASDAQ Composite	1,371.26	(+7.38)
Europe and Far East		
CAC40	2,786.35	(+35.24)
DAX	3,596.09	(+52.68)
FTSE 100	4,642.0	(+34.5)
Nikkei	19,841.98	(-490.85)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.134%
Long Bond	95$\frac{3}{32}$
Yield	6.944%

OTHER RATES

UK: 3-mo Interbank	6$\frac{7}{16}$%	(6$\frac{13}{32}$)
UK: 10 yr Gilt	100$\frac{3}{32}$	(101$\frac{1}{32}$)
France: 10 yr OAT	98.34	(98.79)
Germany: 10 yr Bund	100.79	(101.42)
Japan: 10 yr JGB	102.8794	(103.6621)

NORTH SEA OIL (Argus)

Brent Dated	$19.76	(20.09)

GOLD

New York: Comex (May)	$ 343.1	(342.7)
London: close	$342.85	(342.55)

DOLLAR

New York: lunchtime		
£	1.64765	
DM	1.6903	
FFr	5.6936	
SFr	1.40195	
Y	113.625	
London:		
£	1.6467	(1.6457)
DM	1.695	(1.6949)
FFr	5.7085	(5.7087)
SFr	1.4127	(1.4062)
Y	114.24	(113.67)
Tokyo close:	Y 113.6	

STERLING

DM	2.7945	(2.7893)

9 770174 738142 21

Treasury calls for US banking reforms

Legislators given approval to review cross-ownership law

By Gerard Baker in Washington and John Authers in New York

Mr Robert Rubin, the US Treasury secretary, has called on US legislators to remove the legal divisions between banks and other financial services companies.

But he disappointed backers of much more radical proposals to remove the barriers between banks and non-financial companies. The Treasury secretary said he would defer to the Congress on whether or not such a controversial proposal should be approved.

In a long-awaited Treasury response to financial reform proposals being considered in the Congress, Mr Rubin said the time had now come to abolish the 64-year-old law that prohibits cross-ownership between banks, securities brokers, and insurance and property companies.

"Our objective is simple: modernising financial services in a way that will benefit consumers, businesses and communities, enhance competitiveness of our industry worldwide, and protect the safety and soundness of our financial institutions," Mr Rubin said in a speech to bankers.

Congress is considering proposals to abolish the main provisions of the 1933 Glass Steagall banking act that prevents cross-ownership of financial institutions. The Treasury's support will provide an important fillip to the supporters of change.

Several leading lawmakers also want the Congress to pass legislation that would allow banks to buy and be bought by non-financial companies such as manufacturers and retailers.

The Treasury's views were welcomed by senior aides to Mr James Leach, the Republican chairman of the House of Representatives' banking committee. Mr Leach has opposed the banking-commerce mix, a plan he has described as too risky for regulators and for the economy as a whole.

"It's terrific from our point of view," said one official, commenting on Mr Rubin's remarks. "This will now very probably kill off the banking-commerce plan."

Mr Rubin's speech was broadly welcomed by the New York banking community. Ms Rachel Robins, general counsel for J.P. Morgan, which is technically a commercial bank although its operations lean strongly towards investment banking, said she was "delighted to see the Treasury take a leadership role in financial modernisation".

Under the Treasury's proposals, integrated financial companies would be allowed to offer a full range of services, and would have the choice of operating either as a subsidiary of a bank, or as an affiliate of a bank holding company. This would have important regulatory implications, since bank holding companies are, by law, all regulated by the Federal Reserve, while bank subsidiaries would come under the supervisory aegis of one of a number of regulators.

In the last few years, efforts to reform the Glass Steagall laws have foundered.

Bank of England governor thought of quitting, Page 10

Victor Chernomyrdin in the State Duma urging the need for spending cuts Picture: Reuter

Chernomyrdin tries to avert budget cuts revolt

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russia's embattled prime minister, yesterday urged parliament not to play "political poker" with the economy as he tried to head off a revolt against cuts in planned budget spending.

Mr Chernomyrdin said the government had to live within its means and must cut Rbs108,000bn ($19bn) from its spending plans this year.

The government had raised only 64 per cent of forecast budget revenues, because of a severe shortfall in tax receipts, and spent 70 per cent of planned expenditures. Both targets had been set at "unrealistic" levels, the prime minister said.

The communist-dominated parliament, incensed by the government's failure to pay wages and pensions on time, will vote tomorrow on whether to accept the planned cuts.

It may also consider a motion of no confidence in the government which, if passed, would require Mr Boris Yeltsin, Russia's president, to choose between sacking Mr Chernomyrdin or dissolving parliament. The liberal Yabloko faction claimed it had already collected enough signatures to force such a no-confidence vote.

But Mr Yeltsin appeared unconcerned by the parliamentary disquiet and during the debate he even recalled several ministers to the Kremlin to attend celebrations in honour of Mr Mstislav Rostropovich, the famed cellist.

Court backs investors .... Page 2
Vying for gas .... Page 18

Mr Gennady Zyuganov, the Communist party leader, fiercely criticised the government's economic policies urging a change of course. "The government is made up of people personally responsible for policies hostile to the population: impoverishment and rip-off privatisation. We must suggest the president reviews the cabinet," he said.

But Mr Zyuganov appeared to retreat from threats to vote down the government. Political observers suggest the Communist party fears fresh elections, because it believes it would be unable to match the sweeping gains it made in December 1995's ballot.

During the debate, Communist MPs called on the government to print money to cover its spending plans and provide "oxygen for the economy". But this proposal was forcefully rejected by Mr Chernomyrdin who said it would only lead to a return of hyper-inflation.

"This will not be oxygen. This will be something you inhale only once and then shudder for the last time in your life," he said.

The prime minister promised the government would take additional steps to raise an extra Rbs30,000bn of revenues through squeezing corporate tax dodgers, privatising state assets, introducing a water

Continued on Page 14

Brazil plans to retire $1bn of Brady bonds

By Edward Luce in London

Brazil yesterday said it was planning to retire at least $1bn of bonds which were originally issued in exchange for commercial loans on which it had defaulted in the 1980s.

The bonds – known as Bradys, after former US Treasury secretary Nicholas Brady – were issued in 1994 to help a number of Latin American countries ease their excessive debt burdens, and are collateralised by 30-year US Treasury bonds.

The decision is a further signal of a strong improvement in Brazil's financial position. The return of investor confidence allowed it to raise funds in the international capital markets last November for the first time since the Latin American debt crisis emerged in 1982.

The proposed retirement of Brady bonds, expected to accelerate the decline of the $150bn market in these instruments, follows similar Brady swap deals by Mexico and the Philippines last year.

However, investors say Brazil's offer is more significant. With over $50bn in outstanding Bradys, Brazil is by far the largest Brady country. The market, which is still the largest pool of emerging market debt, comprises 18 sovereign debtors including Argentina and Poland.

"Brazil is easily the largest Brady country so this is a significant signal of things to come," said a trader in New York yesterday. "This accelerates the transition from old-fashioned collateralised debt to conventional emerging market bond issues."

As part of the package, Brazil is offering to swap the Bradys with bondholders in exchange for conventional 30-year dollar bonds, which it hopes to launch in early June. Up to one quarter of the Brady bonds offered for exchange could be redeemed in cash.

Brady bond prices rallied at the news with Brazilian Bradys rising from 64.88 per

Continued on Page 14

Illegal bond trade case worsens Japanese image

By Gillian Tett in Tokyo

The image of Japan's financial industry took another battering yesterday after an affiliate of Nikko Securities admitted it had been accused of illegal bond trading.

Nikko Securities Investment Trust and Management said the finance ministry had found that some bond trades conducted in 1994 were illegal.

The ministry is expected to announce a penalty against the company later this week, in what is believed to be the first such action taken against an investment trust group.

Nikko Securities, which owns a small stake in Nikko Securities Investment Trust and Management, was not connected to the illegal deal, the company said.

Meanwhile, the investigation into Dai-Ichi Kangyo Bank, one of Japan's largest banking institutions, gathered pace with further raids on the company by prosecutors. Tokyo prosecutors have confirmed that the raids are linked with its investigation into Nomura Securities, which has been accused of paying corporate extortionists through an account held by a property company.

Hiroshi Mitsuzuka: warns of possible action against bank

Katsuhiko Kondo: subject of Japanese newspaper reports

Corporate extortionists, known as *sokaiya*, demand money from companies in exchange for not revealing sensitive information.

The latest raids came amid rising expectations that senior DKB executives would soon be forced to resign as a result of the investigation, following a similar spate of resignations at Nomura last month in which 16 directors left the board.

A leading Japanese newspaper reported that Mr Tadashi Okuda, DKB's chairman, and Mr Katsuhiko Kondo, its president, would step down tomorrow to take responsibility for the scandal.

Meanwhile, Mr Hiroshi Mitsuzuka, Japan's finance minister, said the government was ready to take strict action against DKB if the bank's role in the scandal was determined.

DKB yesterday insisted that no decision had been made about resignations. Although it "regretted" the raids, it refused to comment on media reports that DKB made large unsecured loans to the property company implicated in the Nomura scandal.

The reports yesterday pushed DKB shares down for the third consecutive day to close Y70 lower at Y1,320.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

TV time bomb blows up in Spain

By David White in Madrid

A Christmas Eve telephone call from a government spokesman to a media mogul has sparked a sharp escalation in Spanish political hostilities, five months after the event.

For the centre-right government, the rumpus has aggravated tension with the Socialist opposition and added to strains in relations with Catalan nationalists, whose support it needs to remain in power.

It is one man's word against another's. Mr Antonio Asensio, chairman of the Antena 3 television channel and Grupo Z publishing empire, says the spokesman threatened him with jail because he had abandoned a government-inspired digital TV project and switched allegiance to a rival group.

The spokesman, Mr Miguel Angel Rodríguez, state secretary for communication, denies having menaced anyone and describes the affair as Socialist "guerrilla warfare". Ministers and party barons have supported him.

The Socialists are seeking a special parliamentary committee to investigate "abusive conduct" towards the media. The row is expected to spice up a meeting tonight between Mr José María Aznar, the prime minister, and Mr Felipe González, the Socialist leader, initially called to talk about foreign affairs.

What Mr Asensio took with him when he swapped sides was a package of exclusive rights for televising club football matches. He now shares these in a joint venture with Mr Jesús de Polanco's media group Prisa – a partner with France's Canal Plus in Spanish pay-TV – and Catalonia's regional network, TV-3.

Mr Polanco crossed swords with the authorities by pressing ahead with a digital TV venture. New regulations mean its decoding equipment does not conform with official standards and its football matches will have to be shared with other broadcasters.

Ministers say the measures are in response to EU guidelines and the public interest. Mr Polanco's group says it is being victimised by a government which sees it as an accomplice of the Socialists.

The Catalan Convergéncia i Unió party (CiU) is anxious to defend TV-3's interests in the contest, and disturbed about the row with Mr Asensio, whose publishing group includes the biggest-selling Barcelona newspaper, El Periódico de Catalunya.

CiU has marked a certain distance from the government, fearing its current alliance in Madrid may sap its own chances of retaining power in Catalonia.

The Catalans are already at loggerheads with the government over demands for an additional Pta50bn ($350m) in annual health funding for the region, an issue they want settled before the 1998 budget goes to parliament this autumn.

Mr Jordi Pujol, Catalonia's president, said on Monday he would guarantee support until the fate of Spain's bid to join the European single currency became clear next year. He left open what would happen after that.

A break with CiU would force a general election. But the firmly pro-European Catalan leadership does not want to be seen undermining stability in the run-up to monetary union.

Victory for shareholders' rights in dispute with NLMK

Russian court backs investors

By John Thornhill in Moscow

A group of Russian and foreign investors yesterday claimed an important victory for shareholder rights when a regional arbitration court ruled in their favour in a dispute with the management of Novolipetsk Metallurgical Kombinat (NLMK), one of the country's biggest steel plants.

The investor group, which speaks for 40 per cent of NLMK's shares, will now be able to nominate a slate of four candidate directors to serve on the company's nine-member board. Their nominations will be considered at the company's annual general meeting, which must be held by June 30.

Mr Jim Dannis, managing director of the Moscow office of Salomon Brothers, which has been acting as financial adviser to one of the biggest shareholders, said the investors' faith in the Russian legal system had been borne out.

"The shareholders were very impressed with the professionalism and integrity of the judge in the Lipetsk court. The hearings were full, fair and detailed and we are extremely pleased with the result," he said.

Many investors have expressed concerns about Russia's undeveloped corporate governance regime and been sceptical about whether they could ever defend their interests in the regional courts, which are often subject to political pressures.

But the investor group triumphed in three separate legal actions it brought in Lipetsk, where the steel company is based, although NLMK could still appeal.

Two of the cases were brought by Cambridge Capital Management, an international hedge fund which owns 17 per cent of NLMK's shares, and the Sputnik Fund, with 9 per cent, which numbers the well-known financier Mr George Soros among its investors.

The third suit was pursued by a subsidiary of Oneximbank, the powerful Russian bank, which owns about 14 per cent of NLMK's shares.

When these shareholders submitted their board nominations to NLMK in February, a company official refused to accept their documents and ran away. For the second year running, NLMK directors rejected the shareholders' candidates, saying their nominations had been delivered too late.

But the Lipetsk court accepted that postal and courier service receipts and witness statements proved the nominations had been handed in on time and overturned the company's decision.

The shareholder group is pressing for external auditors to be appointed to the company so that it can obtain reliable financial information.

President Boris Yeltsin honours Mstislav Rostropovich with a state award yesterday, the cellist's 70th birthday Reuter

Freer movement for lawyers in EU

By Emma Tucker in Brussels

Lawyers who want to set up a permanent practice elsewhere in the European Union will no longer have to pass a special exam to prove they fully understand the legal rules of the host country, following a decision by EU ministers yesterday.

The so-called aptitude test will be replaced by a three-year transition period during which lawyers hoping to integrate into another legal system will have to prove "effective and regular" pursuit of legal activities – notably by demonstrating they have handled a certain number of cases.

The EU proposal, yet to be agreed by the European parliament, will also allow lawyers who want to practise abroad under their home-country professional title, to do so indefinitely.

The measures will affect only a few people, but were vigorously opposed by Luxembourg, which threatened to challenge the decision in the European Court of Justice. As a European banking centre, it is home to many foreign EU lawyers and dislikes the provision allowing lawyers to practise for an unlimited period without obtaining the professional title of the host country.

The ministers reacted positively to the Commission's "action plan" for the single market, which aims to complete the grandiose project ahead of the introduction of a single currency in 1999. The plan focuses on obvious shortcomings, such as the failure of member states to agree on harmonised VAT rates and the need to apply existing rules more effectively. It also calls for publication of a "scoreboard" to shame single market rule-breakers into line.

Ministers also considered the findings of a report aimed at unblocking stalled proposals for a European Company Statute. Germany, one of two countries behind the 20-year deadlock, said it had "nothing negative" to say about the report, which suggests a formula for reconciling divergent views on the issue of worker participation. But the UK was still sceptical.

Bonn proposes reform of regional subsidies

By Peter Norman in Bonn

The German government yesterday proposed a new system of support for eastern Germany and Berlin that would direct future subsidies towards manufacturing and related service businesses and give special treatment to small and medium-sized companies.

After 1998, the present system of channelling investment through special tax-deductible depreciation allowances will be replaced by one of investment grants, Mr Günter Rexrodt, the economics minister, announced.

The government proposes grants worth 10 per cent of manufacturing industry's investment in plant and machinery and 20 per cent for small and medium-sized companies for six years to the end of 2004. They will also apply to service sector investments in areas related to manufacturing and to investment by leasing companies.

Mr Rexrodt said the new scheme, approved by the cabinet yesterday, would cost about DM5.7bn ($3.3bn) in 1999 compared with allowances of around DM11bn annually under the present system. But he said the impact on investment would be the same.

There will be less generous support for non-manufacturing craft businesses, small inner city shops and investments in commercial properties being built by companies for their own use. Support for housing investment will be concentrated on renovation of old housing stock.

The plans reflect budgetary constraints and the realisation that the present system of tax allowances has led to wasteful investment, often in commercial property. Most eastern German towns can boast a surplus of office space and are well endowed with out-of-town shopping malls.

On the other hand, manufacturing industry accounts for only 15 per cent of gross domestic product in the new Länder (states), compared with 26 per cent in western Germany.

In another move to curb government outlays, the cabinet yesterday approved a proposal from the finance ministry to amend budgetary rules at all levels of government. Budgets will be subject to more rigorous auditing and cost-benefit analysis. Under more flexible spending rules, departments will be able to carry over undisbursed funds to the following financial year, reducing the temptation for officials to indulge in wasteful spending in the final days of December.

● A drive to attract foreign investors into eastern German with government grants and flexible working conditions was launched yesterday in London by the Industrial Investment Council, a new German state-owned agency, writes Peter Marsh.

Mr Hans Christoph von Rohr, chairman of the agency, said his aim was to ensure the former East Germany gained "a decent share" of international industrial investment over the next few years.

Chirac's election intervention under fire

By Andrew Jack in Paris and David Owen in Epinal

France's opposition parties yesterday criticised President Jacques Chirac's public intervention in favour of the ruling centre-right majority and argued that the country's bargaining position in Europe would not be weakened by a victory of the left in the general elections.

In the wake of Mr Chirac's warning on Tuesday that France needed to speak with a "single voice" on European affairs, Mr Lionel Jospin, the Socialist leader, said a "cohabitation" of left and right would in no way weaken the country's bargaining position.

As leading politicians on the right stepped up their attack on the potential risks of a cohabitation, Mr Robert Hue, leader of the Communist party, characterised the president's comments as "blackmail".

In an interview in Les Echos newspaper, Mr Jospin stressed the importance of a political counterbalance to the European central bank when the single currency is established, and argued the Socialists' programme was realistic and should reassure the financial markets in the medium term.

Meanwhile, Mr Philippe Séguin, the Gaullist Euro-sceptic who is seen as a possible successor to Mr Juppé in the event of a narrow centre-right victory, sharpened his calls for more attention to be focused on jobs by those preparing for European economic and monetary union.

In a series of public meetings near his base in Epinal in eastern France, Mr Séguin, the president of the outgoing National Assembly again acknowledged the requirement to proceed with monetary union, while pouring scorn on the Maastricht treaty's convergence criteria. The treaty "must be and will be" subject to interpretation, he argued.

He also urged statutes of the future European central bank to be changed to include a commitment to providing good conditions for job creation. The dollar-Euro exchange rate must, he said, be fixed in Europe's commercial interests.

Editorial comment, Page 13

Communists fear for their influence

Politics in the south of France is a powerful potion, reports **David Buchan**

Hard-left versus far-right: politics in the south of France, especially in the Bouches du Rhone, has always been, like the Pernod the Marseillais drink, a powerful potion. But for the hard-left Communists it is getting more difficult to avoid mixing drinks as they find themselves dragged towards the centre by their alliance with the Socialists.

"I was staggered to hear Michel Rocard [former Socialist premier] in a radio debate agreeing with the right that France needed *moins d'état*, a smaller public sector," said Mr Jean Tardito, Communist deputy and mayor of Aubagne, an industrial island east of Marseilles in the countryside made famous by Marcel Pagnol.

Over red wine and ratatouille in plastic cups and trays, Mr Tardito, a veteran Communist with a lived-in face, was holding a lunchtime election meeting with two dozen of his municipal employees. They had anxious questions about Communist views being swamped by a Socialist majority in any future left-wing government.

"Whatever happens, aren't our public services going to be destroyed?" asked one. "Public services are one of the great characteristics of France," replied Mr Tardito. "Okay, they've got to be modernised, but this privatisation has got to stop."

Mr Rocard had caused more Communist eyeballs to roll by recalling that, stemming from his premiership in the early 1990s, France was under a "quasi-obligation" to Brussels to privatise Air France, as the price for state aid to the airline.

So far, Communists have resisted the onslaught of the right and far-right in the south better than the Socialists. In 1993 when the right took 28 seats in the Provence-Alpes-Côte-d'Azur region, the Communists held on to three and the Socialists only two. Since the great 1960s era of Gaston Deferre in Marseilles, the Socialists have rather lost their way.

It is the clash between Communists and the far-right National Front that now dominates several seats. Their voters live cheek by jowl. This is not surprising, says Mr Guy Hermier, incumbent Communist deputy in the Marseilles docks area that his party has held since 1936. "Our support is often a protest vote, but behind the NF is also this *ras-le-bol* [fed-up] factor," he admits.

To compete, the Communists cannot afford to dilute their message, says the nattily dressed Mr Hermier as he strolls around his down-at-heel constituency. Spokesman for the Communist party's Reformist (*Refondateur*) caucus, he says reform should come in his party being "more open to new groups on the left" such as socialist, green or union splinter groups that have mushroomed in recent years.

In fact, Mr Hermier has an easier political target this time, because the NF is fielding, at the behest of its leader, Mr Jean-Marie Le Pen, a certain Mr Jean-Jacques Susini, a 65-year-old former member of the Organisation Armée Secrète (OAS) who was pardoned after being convicted of involvement in trying to assassinate General de Gaulle. "It is ironic that a party that preaches the need for security should parachute in someone who so symbolises violence," notes Mr Hermier.

Far more redoubtable a NF challenger is Mr Bruno Mégret, number two in the Front, who failed by only 546 votes in 1993 to carry the constituency of towns that run along the east of the Etang de Berre sea inlet. Since then his wife Catherine has become mayor of Vitrolles and the number two on the Mégret ticket is now mayor of Marignane; together the two NF-held towns make up 48 per cent of the constituency population.

Yet Mr Mégret may still not win. According to a couple of polls, Mr Henri D'Attilio, Socialist incumbent, will just scrape through in the June 1 run-off. Significantly, Mr D'Attilio has played down his Socialist label, and is campaigning on his local record and his knowledge of the *provençal* dialect, and against the highly educated Mr Mégret as the "outside polytechnician".

Certainly, Mr Mégret now has local roots and advantages. On a tour of Vitrolles market this week, he was convincingly able to assure a couple of people that "Madame le maire" would look into their problems. But Mr Mégret, grave in mien and sombre in suit, stirs little of the fervour that the ever-loud Mr Le Pen excites among his supporters. As he left Vitrolles for Marignane market this week, and climbed into the sort of limousine with smoked-glass windows that other French politicians never use, there was almost something of the night about him.

EUROPEAN NEWS DIGEST

Albanian poll deadlock ends

Albanian political parties backed down yesterday in the face of intense international pressure and signalled an end to the deadlock that has threatened to undermine next month's general election. Mr Fatos Nano, leader of the main opposition Socialists, said his party would take part as long as the poll was monitored adequately by the international community.

Opposition parties had threatened a boycott in protest at the electoral law pushed through parliament last week by President Sali Berisha's Democratic party. They claimed it would prevent free and fair elections. However, the president has now agreed that the caretaker government led by the Socialist Mr Bashkim Fino will appoint the members of the central election commission, which in turn appoints local election officials.

Elections are seen as the vital first step in restoring order to Albania. *Kevin Done, London*

EU dialling made easy

Phone users in the European Union should be able to call toll-free numbers or helplines anywhere in the EU by 1999 using a uniform prefix, 388, the European Commission said yesterday. The following year they should be able to use their chosen service provider – in the competitive telecoms market to be introduced next year – without having to dial a special access code. It should even be possible for them to take their existing phone number with them if they change service providers.

Announcing the results of a consultation exercise, the Commission said, however, that EU states and telecoms groups had asked for more time to examine proposals to adopt "3" as the common EU international dialling code. *Neil Buckley, Brussels*

Brussels names top official

The European Commission yesterday appointed Mr Carlo Trojan of the Netherlands as its secretary general in succession to Britain's David Williamson, who is retiring. The post, at the head of the Brussels administration, is an extremely powerful one.

Mr Trojan is only the third person to have held the job over the 40-year history of the Commission. The first, Mr Emile Noel of France, occupied the position from 1958 until his retirement in 1987. *Brussels, Reuter*

Pharmaceuticals aid blocked

The European Commission yesterday stopped an Austrian state aid payment worth Ecu22m ($25m) to Hoffmann-La Roche for the construction and operation of a new plant at Linz, which would be used to produce a key ingredient of Orlistat, the new anti-obesity drug.

The Austrian government argued that the aid would be used for research and development but the Commission was unconvinced, arguing that the drug development work for which it was intended was a core part of the company's business.

The Commission did, however, approve aid worth Ecu3.1m for two environmental measures which will reduce the release of gases and waste from the company's factories into the environment. *Emma Tucker, Brussels*

Bonn rejects telecoms move

The Bonn cabinet yesterday rejected a proposal from the federal post ministry's regulatory council that Mr Arne Börnsen, an opposition Social Democrat MP, should be president of Germany's future telecommunications industry watchdog. The government's spokesman said it had no intention of appointing a politician who "pursued goals which did not conform 100 per cent with the intentions of the telecommunications law".

The industry regulator will preside over what is intended to be a powerful and independent institution charged with ensuring fair competition and nationwide provision of telecommunications services after the market is liberalised next year. *Peter Norman, Bonn*

Spanish tax receipts on rise

High tax revenues in the first four months of the year suggest that the Spanish economy is on track to bring its consolidated budget deficit down to the 3 per cent of gross domestic product required to qualify for monetary union.

Following sharp falls in the inflation and interest rates, the government's main task is to lower the deficit from a December 1996 level of 4.4 per cent of GDP.

Income from corporation tax, a key indicator of economic growth, shot up by 137 per cent year-on-year in April and receipts from VAT over the first four months of the year were up by 8 per cent, according to figures released yesterday by the budget office. Mr José Folgado, secretary of state for the budget, said he was wholly confident the government would meet its 1997 revenue targets. *Tom Burns, Madrid*

EBRD's losses shoot up

The European Bank for Reconstruction and Development suffered a net loss of Ecu7.9m ($9m) in the first quarter compared with Ecu700,000 a year ago. The bank said it had been forced to increase provisions for potential loan losses by more than 70 per cent to Ecu31.9m from Ecu18.8m a year ago because of deteriorating credit ratings in some countries, particularly Albania and Bulgaria.

Mr Bart le Blanc, vice-president for finance, said it was the bank's policy "to deal immediately with any increase in credit risk in the region". *Kevin Done*

ECONOMIC WATCH

Ups and downs of work

Two seemingly contradictory sets of Russian unemployment statistics were published yesterday highlighting the complexities of the country's labour market, which remains one of the mysteries of the transition process. Goskomstat, the state statistics committee, announced that the unemployment rate (using the International Labour Organisation's methodology) had risen to 9.7 per cent of the active workforce by the end of April compared with 9 per cent a year ago. But Goskomstat also revealed that the number of registered unemployed had fallen over the same period from 2.77m to 2.53m, or 3.5 per cent of the workforce. The ILO-based numbers are believed to be a more accurate reflection of the true unemployment, because they are based on survey data and take into account some hidden unemployment. The low level of unemployment benefit and the difficulties of registering appear to deter many people from signing on as unemployed. But some economists argue that even the ILO-based numbers understate the scale of the problem. Millions of workers are believed to be kept on their companies' books even though in practice they have been made redundant. This enables the enterprises to reduce tax bills. *John Thornhill, Moscow*

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NEWS: EUROPE

Erbakan: under threat

Çiller: secular party leader

Prosecutor seeks to dissolve pro-Islamic Welfare party

Legal threat to Turkish ruling party

By Kelly Couturier in Ankara

Turkey's top prosecutor yesterday began legal proceedings aimed at dissolving the pro-Islamic Welfare party – the country's largest party – led by Mr Necmettin Erbakan, the prime minister, on the grounds that it is undermining the country's secular foundations.

The suit, filed with the Constitutional Court by Mr Vural Savas, is the latest blow to the prime minister, whose 11-month coalition government narrowly survived a parliamentary challenge a day earlier.

Mr Savas, in a statement that reflects the growing tension between the Islamist wing of government and the secular establishment, told a news conference: "It has become clear that [the Welfare party] has become a focal point of activity that is contrary to the principle of secularism found in the constitution, and has dragged our country into an atmosphere of civil war."

The suit cites Articles 68 and 69 of the constitution, which state: "The programmes and activities of political parties cannot be against the democratic and secular nature of the state."

Mr Erbakan, who for months has been locked in a growing dispute with the country's military-led secular establishment, rejected the charges, telling reporters: "It is a simple accusation that has nothing to do with the truth."

Since becoming prime minister last June, Mr Erbakan has infuriated the military and secular bureaucracy with his moves toward Syria and Iran and his Islamic-oriented domestic agenda. In February, the military-dominated National Security Council issued a series of directives to his government aimed at curbing Islamic radicalism.

Mr Erbakan's hesitation to implement these measures has exacerbated the tension between the Islamists and the state's secular forces – including the military, the judiciary and the political opposition – which have intensified their efforts against the Welfare party.

Many secular leaders say they fear the party is using democracy to bring an Islamic regime to Turkey. They point to statements by Welfare officials, including a speech by Mr Erbakan in 1995, which is cited in the court suit: "Welfare will bring its just system to Turkey. We will see whether this process will be peaceful or bloody."

Welfare, with a membership of more than 4m, narrowly won general elections in December 1995, surprising many in the secular establishment.

It later formed a government coalition with the secular True Path party led by Mrs Tansu Çiller.

Polish banking sales advance on two fronts

By Christopher Bobinski in Warsaw

The privatisation of Poland's banking system takes two big steps forward this week as part of the country's international undertaking to free its financial markets.

Bank Handlowy (BH), one of the largest banks, is putting the finishing touches to agreements with a number of foreign investors bidding for minority stakes.

At the same time the treasury is sifting through final offers for the Warsaw-based Powszechny Bank Kredytowy, the latest of the state-owned commercial banks to be put on sale.

The two banks' assets were worth 24bn zlotys ($8bn) at the end of last year, about 12 per cent of the sector's total assets. The BH sale will be one of the largest in Poland.

Both moves will provide an important signal to foreign investors as Poland's banks prepare to face the challenges posed by the opening up of the country's financial markets under an agreement reached last year with the Organisation for Economic Co-operation and Development, the Paris-based club of industrial countries. They will also advance Poland's position when it begins membership talks with the European Union next year.

This summer's sales also presage the start of an even larger privatisation in the first half of next year when up to 15 per cent of the Pekao group, with assets worth 42bn zlotys at the end of last year, is to be sold through a public offer. Further tranches of the bank's equity are to follow.

But as the country's undercapitalised banks seek to merge to face the competition from abroad, the issue at stake is whether foreign banks will be brought in with new money, technical know-how and managerial skills or whether control will remain vested with present managements, many of whose roots go back to the Communist elite.

Local bankers are arguing against further sales of local banks to foreign owners, pointing out that 30 per cent of the capital in the system is already foreign-owned, while 25 out of 81 existing banks are controlled by foreign institutions. The latter include Citibank, which plans to develop retail banking to supplement a fast growing corporate banking operation, ING of the Netherlands, and the Allied Irish Bank.

The BH privatisation has so far raised little controversy. This is because it combines two things widely regarded as having merit. One is that it brings a handful of foreign investors into its "stable" investor group (long-term minority investors), which accounts for 43 per cent of the offer. The other is that it creates interest among local retail investors as well as local and foreign institutions in the bank's offer of another 45 per cent next week.

Thus, the disposal includes incentives for small local investors, gives the sale a patriotic flavour, gives foreign institutions a role in providing capital and know-how, and leaves the present management in day-to-day control of the bank.

State pensions will be Prodi's biggest test

By Robert Graham in Rome

Mr Romano Prodi's one-year-old government has begun to face its biggest test as the opening shots are fired in the battle to accelerate the reform of Italy's generous state pensions system.

The main problem is to forge a consensus among the government's supporters both in parliament and among the trade unions on serious cuts in pension benefits. Failure to do this could lead to the downfall of Mr Prodi as prime minister and ensure Italy's exclusion from the first wave of countries joining the European single currency. At present, state pension outlays exceed contributions by over 4 per cent of gross domestic product.

The government faces an uphill task. It has been obliged to delay until next week the publication of its three year macro-economic programme because of unresolved differences over pensions and welfare cuts. The programme will be obliged to show at least in outline how much the government hopes to save under these headings as part of its strategy to demonstrate to Brussels it can hold the budget deficit below 3 per cent of GDP.

The unions are extremely hostile to further changes in pensions after the timid reforms they agreed in 1995. At the same time, the hardliners in Reconstructed Communism (RC), whose support is vital for the government's majority in parliament, are firmly opposing any reduction in overall welfare spending.

The pressure is to claw back through taxes something from those enjoying 'baby pensions'

These positions have been emphasised by the chorus of protests raised over an attack which was launched against the existing pensions system on Monday by Mr Massimo D'Alema, leader of the Democratic Party of the Left, which is the dominant partner in the government.

The party leader criticised Italy's current practice of permitting people to retire on a full pension well before the normal age.

"The way in which retirement pensions work is unsustainable: when a country cannot cope with unemployment, it cannot allow people to draw pensions at the age of 50 or 52," Mr D'Alema said.

Nowhere else in Europe do so many people benefit from pensions before the normal pensionable age.

At present, men in the private sector get pensions at the age of 63 and women at 58, while in the public sector the age is 65 for men and 60 for women. But it has been possible, especially in the public sector, for women to retire after no more than 15 years' work and men after 20. As a result 145,000 public sector employees are getting pensions under the age of 50.

The 1995 pension reform introduced a far too gradual phasing out of these privileges. But now the pressure is to introduce a quick end to these rights and to claw back through taxes something from those already enjoying "baby pensions". The government would like to find some L7,000bn ($4.1bn) in pensions and welfare cuts in the 1998 budget. This may well prove too ambitious.

New Sofia government committed to reforms

By Theodor Troev in Sofia

The Bulgarian parliament yesterday approved a new pro-western coalition government which is committed to introducing an IMF-backed currency board monetary system by the end of July and pressing on with a four-year programme of economic, social and financial reforms.

The government, led by Mr Ivan Kostov of the Union of Democratic Forces, replaces the interim government of Mr Stefan Sofianski, the mayor of Sofia. Mr Sofianski, who took power when the former Communist-led Socialist party government resigned in February, is credited with restoring economic confidence and left office more popular than when he took power.

The incoming government enjoys broad parliamentary support and inherits a stronger currency backed by healthier foreign exchange reserves. The reserves have risen from just over $400m earlier this year to $1.25bn, thanks to international loans and accelerated privatisation deals signed by the interim government. The lev has strengthened to 1,600 to the dollar from a low of 3,000 when confidence collapsed earlier this year.

In a new development for Bulgarian democracy, the Socialist party, which won 22 per cent of votes in the April elections, promised to operate as a constructive opposition and began with detailed criticism of the new government's programme.

Mr Kostov said the new government's priorities would be faster privatisation, financial stabilisation, reform of the tax and government administration and a war on crime and corruption. It would also aim for membership of Nato and the European Union, he added.

Mr Alexander Bozhkov, a former privatisation minister who helped negotiate IMF and other loans, is one of five interim government ministers to retain a senior post in the government as deputy prime minister and industry minister.

In an effort to strengthen the banking system, whose virtual collapse last September revealed the damage caused by seven years of half-hearted reforms and corrupt privatisation, Mr Kostov said foreign financial institutions would be offered management contracts in the state banks to prepare them for privatisation by the end of 1998.

The new government's programme is supported by the Euro-Left party, founded this year by a group of Socialist party defectors, by the Alliance for National Salvation, another recent formation of monarchists, ethnic Turks and environmentalists, and by the pro-market Bulgarian Business Bloc.

NEWS: INTERNATIONAL

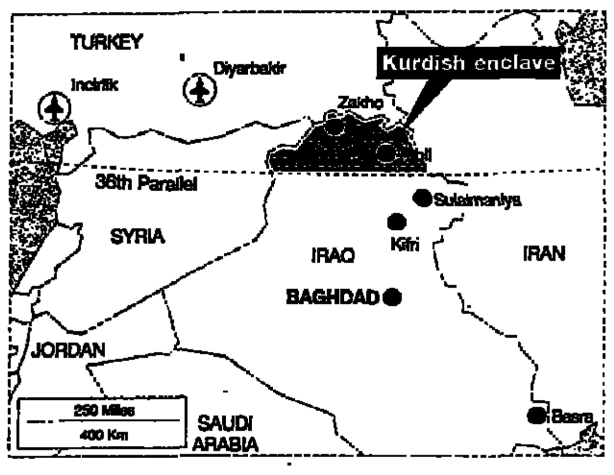
Troops massing on Kurdish borders

By Kelly Couturier in Ankara

Iran, Iraq and Syria are massing troops along the borders of the Kurdish enclave in northern Iraq where a week-long Turkish offensive against Kurdish separatists continues at full force, Turkey's state-run Anatolian news agency reported yesterday.

"Syria, the country which gives the biggest support to the [PKK] separatist organisation, has built up troops at the northern Iraq border using the excuse of a military exercise," Anatolian said, citing unnamed military sources.

The agency said Iran and Iraq had also moved troops to the border of the enclave, where at least 10,000 Turkish soldiers backed by heavy artillery and fighter jets have been hunting down guerrillas of the Kurdistan Workers Party (PKK), who use the area as a rear base to launch attacks into Turkey.



The pro-PKK MED-TV station, based in Belgium, reported Iraqi military activity near the enclave, saying 50 tanks had been moved near the border separating the Kurdish zone from Baghdad-controlled Iraq, where Turkish troops have set up checkpoints.

In London, a spokesman for the Iraqi National Congress, the Iraqi opposition group, reported that it had received reports of an Iranian build-up, saying that revolutionary guards had been sent to the border.

Journalists have been denied access to the area since the beginning of the operation, making independent confirmation of Turkish official reports impossible.

Syria gave no official comment about the reports of troop build-ups, but a Syrian official was quoted as saying the Turkish campaign inside northern Iraq reflected Turkey's "bad intentions" towards its neighbours. No immediate response came from Iran or Iraq.

Iraq, which has been outspoken in its criticism of the Turkish offensive, as it has during past Turkish cross-border campaigns, has asked the United Nations to put pressure on Ankara to reconsider its "aggressive policies" in northern Iraq.

Despite criticism from its neighbours, western nations and the United Nations, the Turkish cross-border campaign showed no sign of abating, with more troops and supplies ferried into the region yesterday.

Mr Turhan Tayan, Turkish defence minister, said this week that the operation would continue until the aim of eradicating PKK guerrillas from the area was achieved.

Turkey has spent billions of dollars over the last 12 years fighting the PKK, which is fighting for an independent Kurdish state. More than 25,000 guerrillas, government forces and civilians have died in the conflict.

Senior military officials said earlier this year that Turkish forces had cleared many Turkish south-eastern provinces of guerrillas, but that the PKK, based in Syria, still had camps in northern Iraq and Iran.

Sclerosis grips peace process in Mideast

The Tomb of the Patriarchs, said to be the burial place of the biblical Abraham and Sara, is holy to both Moslems and Jews. It is also a symbol of the strengths and weaknesses of the Middle East peace process.

The Tomb is in the heart of Hebron, the West Bank town of which 80 per cent was placed under control of the Palestinians last January. But because of the site's violent past, Moslems and Jews are forbidden to enter each other's places of worship. So far, both sides have accepted the arrangements –agreed at a time when trust and confidence, the cornerstones of the Oslo peace accords, were still in place.

But how long that status quo – based on co-operation between Israeli and Palestinian security forces – will continue depends on how the impasse in the peace process is to be overcome.

"One misunderstanding, one extremist, one breakdown in communication could cause mayhem at the Tomb," said one Moslem worshipper. "That's why the peace process is so important. We have to keep talking." But beyond Hebron, there is little talking.

Peace talks were suspended two months ago after the Israeli government decided to build a Jewish settlement at Har Homa in south-east Jerusalem, severing this part of the city from the Palestinian controlled areas of the West Bank.

Having failed to persuade the government to reverse its decision, the Palestinians cut off security contacts with the Israelis, a move which has worried Israel since it has relied on Palestinian intelligence-gathering to pre-empt any terrorist attacks by Hamas, the militant Islamic movement.

Neither side will return to the negotiating table until the expansion of settlements is halted and security contacts renewed. Mr Dennis Ross, US Middle East envoy, failed to break the impasse during his recent visit to the region, while Mr Martin Indyk, US ambassador to Israel, said the Oslo process had broken down.

"The real problem is that there is no longer trust and confidence between both sides. We have reached a wall with Oslo," said Mr Moshe Maoz, professor of Islamic and Middle Eastern Studies at the Hebrew University. "It demands flexibility to breach the wall but we do not have a strong government in Israel to do that and Yassir Arafat (the Palestinian leader) cannot return to the talks without getting something in return."

Mr Saeb Erekat, the Palestinian chief negotiator, insists Mr Arafat wants to restart the talks. "But we are talking at cross-purposes with the Israelis. We want to negotiate the Oslo accords, we want to renew the security contacts.

"But all we hear from Prime Minister Netanyahu is his domestic problems. He keeps saying he is under pressure from his hardline coalition partners so he is only prepared to compromise on this or that. But Oslo is not a souk (market). It is a process and we cannot move away from it."


Confrontation in Hebron: observers say the real problem is that trust and confidence have broken down between Israelis and Palestinians

If the Palestinians feel provoked by the Israelis – whether on settlement expansion policy or the water issue following a demand by Mr Ariel Sharon, infrastructure minister, to have all the West Bank's precious water resources placed under his ministry – recent Palestinian actions have hardened the Israeli negotiating position.

Yesterday, Mr Arafat condoned a decision by his justice minister to impose the death sentence on any Palestinian who sold land to a Jew. This followed the murder, allegedly by Palestinian security forces, of two property dealers who had done just that.

Last month, a Palestinian journalist who had written (an unpublished) article praising Israel's judicial system was arrested, while the leaders of West Bank teachers striking for more pay were detained.

"If the process was moving ahead, there would not be that element of frustration among the Palestinians," said Mr Erekat. "What I worry about most now is that the deadlock plays into the hands of extremists on both sides."

So far, Mr Arafat has been able to control the ground. There have been no demonstrations against Israel's foot-dragging on the peace process. There has been no violence which the US recently strongly warned against. Mr Arafat's credibility, both domestic and international, is still strong in contrast to Mr Netanayhu's.

"Arafat and Netanyahu are playing for time. Neither side is interested in returning to the talks. They will only do so when the delay becomes counter-productive," said Mr Avraham Diskin, professor of political science at the Hebrew University.

"It could be riots which might be the catalyst." Or, as worshippers at the Tomb of the Patriarchs in Hebron fear most, an extremist from either side could end the fragile status quo.

Judy Dempsey

INTERNATIONAL NEWS DIGEST

Kabila clashes with Tshisekedi

The Congo, formerly Zaire, was still awaiting a new government yesterday as a dispute erupted between Mr Laurent Kabila, self-declared head of state and Mr Etienne Tshisekedi, leader of the radical opposition. In negotiations reminiscent of the lobbying that preceded Mr Kabila's meeting with ousted President Mobutu Sese Seko, the US embassy yesterday mediated between the two sides, both anxious not to lose face.

Aides to Mr Tshisekedi, who regards himself as rightful prime minister, said the leader of the Alliance of Democratic Forces for the Liberation of Congo (AFDL) should visit him at his suburban home and they insist the opposition head must name his own government once reappointed to the post.

But the AFDL, whose forces captured Kinshasa over the weekend, toppling Mr Mobutu's regime, believe it has won the right to determine the make-up of the future government and cannot stoop to petitioning Mr Tshisekedi. The petty wrangling does not bode well for co-operation between the two sides, which have radically different visions for the future. *Michela Wrong, Kinshasa*

New S Africa party planned

Mr Roelf Meyer, estranged ally of the former South African president, Mr F.W. de Klerk, said yesterday he was forming a new political movement to challenge the ruling African National Congress and the National party, from which he resigned at the weekend. He said he hoped the New Movement Process would grow into a party to fight the 1999 elections and change the South Africa's political landscape.

An architect of South Africa's post-apartheid politics of reconciliation, Mr Meyer resigned from the National party and from parliament after a dispute with Mr de Klerk over the party's future. He played a crucial role in negotiating the peaceful handover of power in 1994 from white rule, but has effectively been sidelined by National party rightwingers who regard him as too liberal.

He said his new movement would approach all sorts of people to try to become a viable political party to fight the dominant ANC. *Reuter, Pretoria*

UN adopts watercourse rules

The United Nations General Assembly last night adopted a convention that establishes guidelines for settling disputes among states over international watercourses.

The 37-article convention governs the non-navigational uses of international watercourses, as well as measures to protect, preserve and manage them. It addresses such issues as flood control, water quality, erosion, sedimentation, salt water intrusion and living resources.

But the convention was immediately criticised as flawed. Turkey, which is involved in a row with Iran and Syria over the Euphrates, joined China and Burundi in voting against the resolution. It was approved by 103 members with 27 abstaining.

How effective the treaty – officially a "framework" convention – may be appears questionable in light of the criticisms. The French representative, who abstained, said the text was negotiated in haste, carelessly drafted and "imbued with a partisan spirit". India called it unbalanced and Egypt said the pact could not change previous multilateral or bilateral accords that must take precedence. *Michael Littlejohns, New York*

NEWS: WORLD TRADE

Chemical industry seeks early adoption of biotech inventions directive

Call for stronger EU patent laws

By Frances Williams in Geneva

The European chemical industry yesterday called for stronger and simpler European patent legislation, together with early adoption of a European Union directive on the patenting of biotechnology inventions.

The European Chemical Industry Council (Cefic), representing 30,000 companies employing over 2m people, said inadequate and expensive patent procedures reduced the competitiveness of European industry and Europe's attraction for inward investment.

Mr Jürgen Dormann, Cefic president, and chief executive of Hoechst of Germany, told a Cefic conference on patents and innovation in Geneva that the cost of patenting in Europe was "a highly negative factor for competitiveness".

The steep charges were particularly discouraging for smaller high-tech companies crucial for innovation, economic growth and employment, he said.

In such a competitive business, speedy patent procedures were also important, since the company first commercialising a product had a significant advantage in gaining market share.

According to Cefic, filing and maintaining a patent in eight EU member states costs about $120,000, or almost 10 times as much as the $13,000 it costs in the US. A large part of this differential relates to translation expenses.

In addition, European industry must contend with two co-existing patent systems and a third on the way. Companies can file patents with national patent offices or apply to the European Patent Office for a patent valid for specified European countries.

The Community Patent Convention will offer a single patent covering all EU members, but Cefic complains that the procedure will have "unacceptably high" costs due to the need to translate the highly technical patent documents into all EU languages.

The European chemical industry is also worried by the enforcement system through national courts which it says will produce "unacceptable legal uncertainty".

Another concern is the lack of European legislation on biotechnology inventions. The European Parliament is considering a redrafted EU directive on the issue, having thrown out an earlier version in 1995. Mr Brian Yorke, head of intellectual property at the Swiss pharmaceuticals giant Novartis, said yesterday restrictions on the ability of European companies to patent biotech inventions, including plant and animal inventions, would simply drive more research to the US.

While Cefic was opposed to certain forms of experimentation, such as human cloning, embryo research and germ-line genetic therapy affecting future generations, Mr Yorke said ethical considerations were better looked after in separate legislation than in rules on patents.

Mr Daniel Wagnière, head of technology at Novartis, said that "by dithering around in Europe we are really sending the wrong message" to investors. In relation to turnover, both the US and Japan were attracting more capital investment into the chemical industry than Europe.

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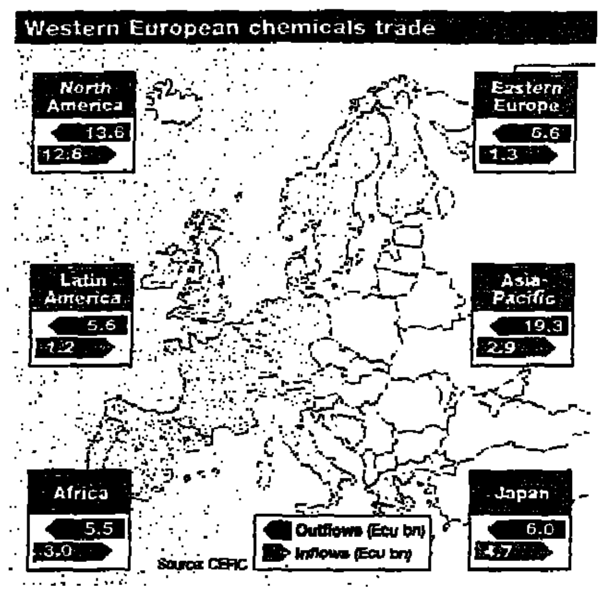
Western European chemicals trade



Battle to abolish redundant rules

By Nancy Dunne in Washington

US and European negotiators today enter final talks on ways to streamline bilateral trade by eliminating the duplication of product inspections, certifications and testing for more than $40bn worth of transatlantic trade.

A successful conclusion to the talks is vital to maintain momentum for promoting EU-US trade and failure would undermine the credibility of a business-led initiative to develop bilateral commerce.

The deadline for concluding the talks was rescheduled to coincide with next week's EU-US summit between US President Bill Clinton and EU Commission President Jaques Santer nafter the original deadline of January 31 was missed.

US officals yesterday expressed pessimism that the negotiations on a mutual recognition agreement (MRA) would succeed as new disputes have appeared even as solutions have been found for others. One senior US official expressed concern about the credibility of the Transatlantic Dialogue process which was launched by US and EU business in 1995 in Seville to further bilateral trade liberalisation.

At issue in the current talks are agreements which would drastically reduce red tape for trade in pharmaceuticals, telecommunications, medical equipment, electrical safety devices and pleasure boats. Each side would agree to accept the other's certification that products meet the importing country's prescribed standards.

"What is at stake is more than a trade agreement," said Mr Edward Rozynski, executive vice president of the Health Industry Manufacturers' Association. "If we can eliminate regulatory redundancy in the US and the EU it would make both of our companies more competitive in global markets. It would let us compete with Japanese and other countries and lower health care costs in all countries."

Ms Paula Stern, a Washington trade consultant, said costs could be greatly reduced. "Of the approximately $110bn of US merchandise exports to the EU, one half or $66bn required some form of US certification in addition to any domestic certification requirements," she said.

Negotiators, however, have encountered great difficulties in agreeing to conform to each other's rules. "There is a huge cultural gap," the US official said.

Such agencies as the Food and Drug Administration, which regulates pharmaceuticals, have little flexibility under US law. However, it has agreed to allow European inspectors to determine whether EU plants conform to what the US deems "good manufacturing practice" and to review claims for low and medium risk medical devices. However, EU negotiators are demanding a wider product coverage than the US is willing to agree at this early stage of what is described as "a confidence-building process".

Differences have also arisen over the overall umbrella agreement. Both sides have agreed to set up a committee to oversee the MRA process, but it has not been agreed which agencies will set on the committee and how the process will be managed.

Mr Bernd Langeheine, the EU trade counsellor in Washington, said that it "does not look very likely" that the four or five outstanding issues will be resolved this week, in which case they will have to be bumped up to the political level for decisions.

● Hong Kong said yesterday it had signed a World Trade Organisation agreement on government procurement of goods and services. The Agreement on Government Procurement sets out rules on tendering procedures, technical specifications and challenge procedures, and ensures foreign products and suppliers can compete on an equal footing.

Boeing to boost output by 48%

By Michael Skapinker, Aerospace Correspondent

Boeing of the US plans to increase aircraft production by 48 per cent over the next year to cope with increased demand from airlines.

The group has said it aims to raise production to 43 aircraft a month by the second quarter of next year – the highest in its history. It is at present turning out 29 aircraft a month, and expects to deliver 340 aircraft this year, against 220 in 1996.

Boeing's order book has been boosted by the decision of two US airlines, American Airlines and Delta Air Lines, to make the group their exclusive aircraft supplier for 20 years. These deals have been criticised by the European Commission.

Boeing's deal with American was held up by the airline's dispute with its pilots, but this has now been settled. American has agreed to buy 103 Boeing aircraft and has the right to purchase another 527. Delta has placed 106 firm orders, with options on a further 538.

Boeing is expected shortly to announce an exclusive deal with Continental Airlines of the US. Mr Gerald Greenwald, chairman of United Airlines, has indicated it is also considering making Boeing its sole supplier.

Production of the Boeing 737 is to double from the present 12 a month to 24 by the second quarter of next year. Output of the Boeing 747, the company's biggest aircraft, will increase from four to five by the second quarter of 1998.

Production of the 757 will also go up from four a month to five. Output of the twin-engined 777, Boeing's newest aircraft, will increase from the present rate of five to seven a month in the third quarter of this year but will then return to five a month in the second quarter of 1998.

Storm over Atlantic, Page 13

WORLD TRADE NEWS DIGEST

Cotton dumping duties scrapped

The European Union yesterday dropped proposals to impose anti-dumping duties on unbleached cotton imports from China, Egypt, India, Indonesia, Turkey and Pakistan. EU foreign ministers discussed the issue on Tuesday but failed to agree. The talks followed a flurry of diplomatic activity which saw a modified proposal apparently rejected, accepted, then again rejected.

The EU's 15 members have been split for months over whether to confirm provisional dumping duties imposed late last year on imports of the unbleached cotton worth over £400m ($670m). *Foreign Staff*

MFN for China battle grows

The battle over China's trading relations with the US heated up yesterday. The chairman of the Senate finance committee, Senator William Roth, said he would back permanent Most Favoured Nation trade status for Beijing, while a bipartisan coalition of congressmen, labour and Christian groups said it wanted MFN withdrawn.

Senator Roth said he would introduce legislation to make normal trading relations with China permanent, but only if China stepped forward with a sound offer on market-opening measures to gain membership of the World Trade Organisation.

President Clinton moved on Monday to renew MFN for China, which grants it the same tariff treatment as most nations that trade with the US. But opposition to the measure in Congress is stronger than in previous years, with the Christian right promising to muster popular support for revoking MFN. *Patti Waldmeir, Washington*

Bridge builder chosen

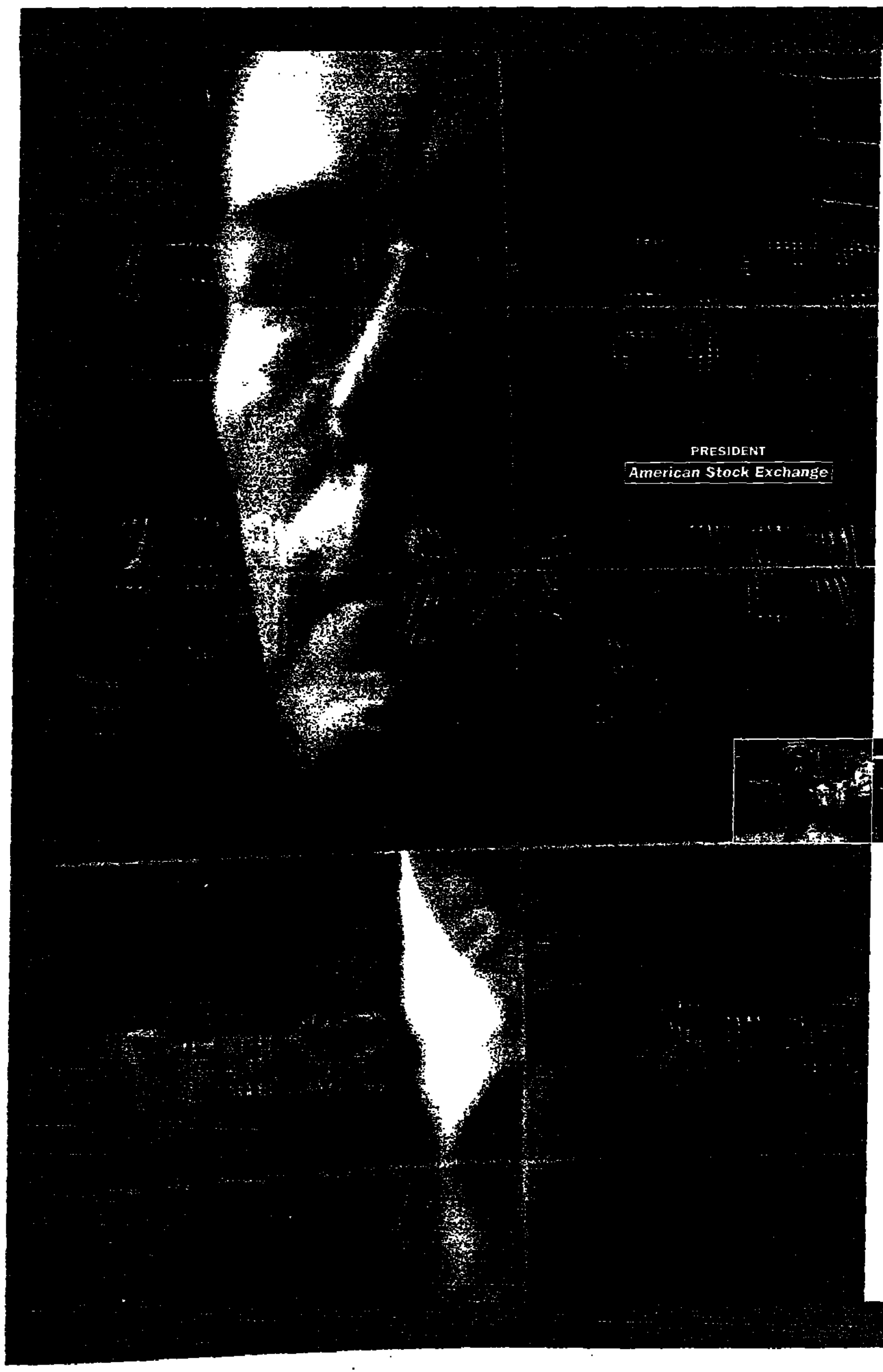
An Australian unit of Germany's Bilfinger & Berger was yesterday selected to build a A$85m (US$66m) bridge across one of the Mekong River's two main arms. Baulderstone Hornibrook was selected from four Australian construction companies by a joint Vietnamese-Australian steering committee.

Work on the My Thuan Bridge, the Australian government's largest single overseas aid project, will begin next month. The 650 metre long bridge is expected to take about 42 months to build and will enter operation in late 2000. Australia is bearing 66 per cent of the cost and the Vietnamese government the rest.

The bridge will help relieve a traffic bottleneck south of Ho Chi Minh City. *AP-DJ, Canberra*

Fujitsu plans Vietnam plant

Fujitsu, Japan's largest domestic computer maker and the world's second largest, will build a second factory in Vietnam to produce personal computer parts from July 1998. Fujitsu will invest $120m on facilities in Bien Hoa, near Ho Chi Minh City, to produce motherboards, or high-density printed circuit boards, to be used in notebook PCs and mobile telephones. Fujitsu expects the factory to produce 7.6m motherboards in 2000. Fujitsu has an existing plant in Vietnam which assembles PC motherboards. The company also produces motherboards at its Akashi plant in western Japan, which will be upgraded to produce circuit boards for advanced computers following the opening of the Bien Hoa plant. *Gwen Robinson, Tokyo*



NEWS: ASIA-PACIFIC

HK investors queue for China's 'red-chips'

By Louise Lucas in Hong Kong

Banks in Hong Kong are under siege from punters desperate to buy shares in the investment arm of the Beijing municipal government.

Beijing Enterprises, whose shares are to be offered this week on the Hong Kong stock exchange, is the latest and biggest of the so-called "red-chips" – mainland-backed companies seeking Hong Kong listings. The company's tangible assets include tourism rights to the Great Wall of China and McDonald's burger outlets.

Yesterday printers were churning out their third batch of share application forms, bringing the total number printed so far to 1.1m - or more than one for every six people in the territory.

The frenzy illustrates Hong Kong's appetite for "red-chips", virtually all of which have been heavily over-subscribed, in the final weeks of British rule. China resumes sovereignty over Hong Kong on July 1, and while it may still have to win hearts and minds, it appears to have won the battle for wallets. "It's totally profits driven," says Mr Geoffrey Blowers, senior lecturer in psychology at the University of Hong Kong. "In this period of great uncertainty there's an attempt to maximise profit on the present, as an insurance for the future."

Earlier "red-chip" issues, such as those launched by the Shanghai and Shenzhen municipalities, were several hundred times oversubscribed. But all are set to be trumped by Beijing Enterprises. Latest estimates show it will be "well over 1,000 times" oversubscribed, and illuminate for Beijing one of the niceties of Hong Kong style capitalism: simply by issuing shares and depositing the oversubscription cheques for five days it will pocket some HK$200m (US$25.8m) in interest – more than half its forecast profits for the entire year.

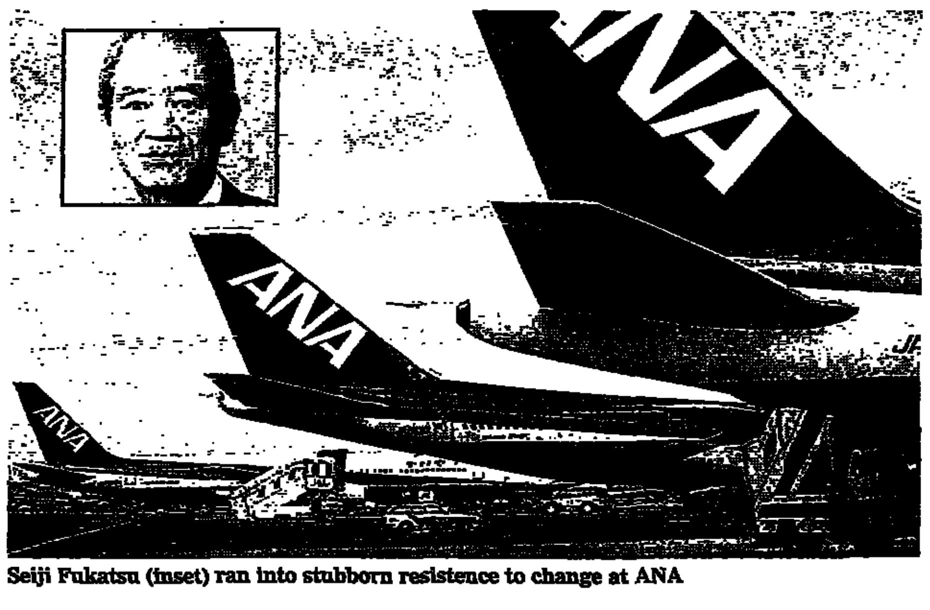
In spite of Mr Blowers' assertion that Hong Kong is "not a queueing culture," queues grew swiftly outside banks this week. People were said to be stashing up on free copies to sell on at $100 each. Payment for standing in queues is not new in Hong Kong: money-for-places was common during the property boom, when people queued to secure flats.

Other potential money spinners which have attracted colossal rugby scrums include stamps; in March an elderly collector died in a queue of 4,000 people wanting to buy the last special issue of stamps bearing the queen's head. Across the border in Shenzhen in 1992 police used cattle prods to control investors scrabbling for share lottery tickets.

One thing is sure: the fraction of punters lucky enough to win Beijing Enterprises shares in the ballot system will see their investment more than double in less than the time it takes to say "Queue here".

● Hong Kong regulators are to consider extending stock exchange opening hours to overlap with London and scrapping stamp duty after a study found an increasing volume of the territory's share trading has switched to London. The Hong Kong market now opens for less than four hours a day.

Bureaucrats pull Japanese airline strings



Seiji Fukatsu (inset) ran into stubborn resistence to change at ANA

Bureaucratic meddling in private industry affairs was supposed to have been a thing of the past amid Japan's new-found enthusiasm for market deregulation.

But, as events at All Nippon Airways (ANA) have recently highlighted, the hand of the bureaucrat still reaches deep into corporate Japan.

The sudden decision of Mr Seiji Fukatsu to resign as ANA's president, has brought home to the Japanese public the staunch resistance to change that remains in parts of the economy and the considerable power bureaucrats who have descended from heaven – as those who pursue a second career in the private sector are known – still enjoy.

The departure of Mr Fukatsu, who had launched an aggressive restructuring programme to prepare ANA for the impact of deregulation, comes after an internal struggle with two executives who joined the company from the Transport Ministry, Mr Tokuji Wakasa, honorary chairman, and Mr Takaya Sugiura, chairman.

Not only has the Japanese public been stunned by the sight of the 82-year-old Mr Wakasa – who was arrested and convicted for his role in the Lockheed bribery scandal in the 1970s – wielding influence in ANA. The resistance to change that has been brought to the fore by the goings-on at ANA threatens to turn the clock back on the much-needed modernisation of the industry, which faces a battle for survival on the international stage.

Japanese airlines belong to one of the most highly regulated and protected industries in the country and face a pressing need to cut costs, restructure and improve their competitiveness to meet the challenge of deregulation, particularly in international markets but also increasingly at home.

With just three carriers dominating the Y2,400bn ($21.3bn) a year market, and, until recently, a highly regulated fare system and strictly controlled traffic, competition has long been restricted to minor publicity stunts, such as when Japan Air Lines dressed up its stewardesses as Mickey Mouse. The three airlines only last month launched frequent flyer services in the domestic market, standard in the US for many years.

Against the background of an oligopolistic market, costs escalated, particularly during the "bubble" years, notes Mr Douglas Hayashi, industry analyst at BZW Securities in Tokyo.

As a result "labour costs are just out of control," he says, with Japanese pilots, cabin crew and mechanics making anything from double to much more than their counterparts in the US.

Mr Fukatsu had attacked the high cost problem with zeal and his programme of reforms, while it may not have been aggressive by western standards, was a model for Japan's conservative airline industry.

The ANA president's views on deregulation were also progressive by Japanese standards. A realist by temperament, Mr Fukatsu went so far as to condone the "open skies" policy the US has been pushing for in bilateral talks with Japan but which the rest of the industry and the transport ministry have vigorously opposed.

His passion for reform, however, did not go down well with the old guard at ANA, which favoured a less radical approach. He also drew the ire of the transport ministry by airing views on deregulation of the aviation market in a speech in Washington and by calling for replacing ministry allocation with competitive bidding in awarding airline slots.

Transport ministry officials, keen to portray themselves as a champion of deregulation, emphasise that they have nothing to do with the affair at ANA.

Steps the ministry adopted last year to deregulate fares backfired badly when they led to a rise in fares on certain main routes. Tentative measures to open up domestic routes to new airlines have been criticised as not going far enough.

But given Mr Wakasa's close links to the ministry, it has not come out in a positive light. In earlier days at ANA, Mr Wakasa used to be known as "Mr Five o'clock" because at that hour he left the company office for the transport ministry and whisked his old buddies off to the Ginza, according to an airline industry official.

There are growing concerns in the industry that Mr Wakasa will use his influence to secure jobs for his proteges at the transport ministry. "An honorary chairman should not be meddling in the affairs of the company," remarks an industry official.

The incoming president of ANA, Mr Kenzo Yoshikawa, has indicated he expects Mr Wakasa and Mr Sugiura to stay in their posts. But until the company can demonstrate Mr Fukatsu's reforms will not be reversed, the suspicions are that the habits of bygone days are back.

Michiyo Nakamoto

Left blamed for Indonesia poll violence

By Manuela Saragosa in Jakarta

The Indonesian authorities yesterday blamed an outlawed leftwing group for the spate of political violence that has marred the parliamentary election campaign, officially due to end tomorrow before polling on May 29.

Party leaders have criticised the government's rigid controls, including outlawing street rallies and processions, for increasing political tensions, leading to claims that this has been one of Indonesia's most violent election campaigns.

Lt Gen Syarwan Hamid, chief of the military's socio-political section, was quoted by local papers as claiming the banned People's Democratic party (PRD) had incited crowds to riot. "Their objective is to spoil the general election," he alleged.

The PRD is a familiar scapegoat for political turbulence in Indonesia. The military blamed it for inciting the riots which broke out in Jakarta in July last year – the worst in two decades – after Ms Megawati Sukarnoputri was ousted as leader of the Indonesian Democratic party (PDI), and replaced by a government-backed faction.

Most PRD members were later arrested and its main activists, charged with subversion, are serving jail sentences.

The military has said about 80 civilians have been killed since campaigning started four weeks ago, mostly in traffic accidents as thousands of Indonesians have taken to the streets defying the ban on outdoor rallies.

Earlier this week, some political parties cancelled their campaign activities to prevent further violence. But the plan backfired as frustrated party supporters took to the streets.

Campaign violence has grown since supporters of Ms Megawati, who has been barred from taking part in the elections, joined forces with supporters of the United Development party (PPP).

This was an unexpected development. Only the PPP, the PDI and the ruling Golkar party are allowed to contest seats and all candidates have been vetted by the government.

The growing informal alliance between the PPP and Ms Megawati's supporters has given rise to the view that the PPP will attract a considerable "protest vote". Support for the PPP has grown as the party has used widespread resentment over perceived corruption as an issue at its campaign rallies.

Golkar is set to win the election; one Jakarta-based western diplomat described the results as "a foregone conclusion". Golkar officials have said they want to capture 70 per cent of the vote to win their sixth five-year term.

But there is concern that a large turnout for the PPP will make this target more difficult to achieve as will maintaining at least a semblance of a credible election.

No clashes were reported yesterday, but embassies in Jakarta have advised their citizens to prepare for more unrest as the campaign ends and riot police and the military remain on alert. The official month-long election campaign ends tomorrow, with a five-day "cooling off" before polling day.

Tokyo split on missile defence system

By Gwen Robinson in Tokyo

Sharp disagreements have surfaced within the Japanese government over a controversial US proposal to join in development of a sophisticated missile defence system, following Japanese media reports that the government is set to reject Washington's proposal.

Defence and foreign policy officials yesterday strongly denied reports that a decision had been taken on Japan's participation in the project, known as the Theatre Missile Defence System (TMD).

A joint US-Japan working group is now working on a feasibility study of the system, which would utilise spy satellites and land-based defences to detect and destroy ballistic missiles, and could cost $30bn-$40bn or more, according to defence experts.

Mr Ryutaro Hashimoto, prime minister, has said the government will consider the matter only after the joint study is completed, and will decide on Japan's involvement by the summer.

However, senior politicians from the ruling Liberal Democratic party are already at loggerheads over the issue. Yesterday's Japanese media reports stemmed from remarks by LDP executives in charge of a government panel on fiscal reform.

The panel is drawing up a list of measures to streamline the government's structure and to cut spending in key areas, including defence, agriculture and social welfare. Defence cuts were among the priorities set out by Mr Koichi Kato, LDP secretary-general and head of the panel. Mr Kato and his colleagues have said the TMD proposal would be too costly for Japan.

Privately, however, many politicians say the biggest concern is public sensitivity over Japan's pacifist constitution and its stance against collective defence arrangements, and the use of space for military purposes.

Other senior LDP legislators have expressed support for the TMD project and have said defence spending must continue to rise at least 4 per cent a year to maintain basic defence capability. They have been supported by a powerful business lobby, led by Japan's top defence contractors, who argue that participation in the TMD project is vital for Japan to stay abreast of technological advances in defence systems.

Meanwhile, foreign policy and defence officials involved in TMD negotiations with the US have said Japan has signalled interest in limited involvement.

Sixty detained in Burma

By Ted Bardacke in Bangkok

Burma's military government has detained at least 60 members of the opposition National League for Democracy (NLD), apparently to stop them attending a party congress at the home of their leader, Ms Aung San Suu Kyi.

Diplomats said the number was likely to grow within days. Those held include NLD members elected to parliament in the 1990 general election which the military junta, known as the State Law and Order Restoration Council (Slorc), refused to honour.

The arrests, which in some cases in upper Burma involved telling NLD members not to leave their homes, recalled similar detentions a year ago when Ms Suu Kyi tried to hold a similar gathering to mark the election.

Then, Slorc was understood to have feared that a gathering of elected MPs could declare themselves a parallel government or open a constitutional convention.

Most of those detained last year were released once the party meeting ended. But in the past year, Slorc is said to have imposed jail sentences of at least three years on 204 NLD members, including 25 elected MPs.

The arrests come 10 days before foreign ministers from the Association of South-East Asian Nations (Asean) meet in Kuala Lumpur, where Burma's application for membership is expected to be decided. Diplomats said the arrests were unlikely to affect those talks.

The arrests come a day after President Bill Clinton issued an executive order banning new US investments in Burma. He cited "serious abuses" by the military government against opponents as a reason for the sanctions.

All existing Burma contracts entered into by US companies and persons can proceed, regardless of the stage they have reached, the US Treasury's Office of Foreign Assets Control said yesterday.

US companies, especially three oil companies with licences to explore for oil and gas offshore from Burma, have been waiting to see how their projects will be affected.

ASIA-PACIFIC NEWS DIGEST

Tokyo damps rate speculation

The Bank of Japan yesterday moved to damp speculation of an imminent interest rate rise, after comments by trade union officials prompted a surge of market volatility. The Bank of Japan insisted no plans were in hand to raise the official discount rate from the 0.5 per cent level in place since September 1995.

The Japanese Trade Union Confederation had asked the bank for a rate rise, to alleviate the position of pensioners and other savers. Union officials said their requests had been well received, triggering large selling of Japanese government bond futures and cash bonds.

The bank insisted its position had been misrepresented; it had no plans to change its policy at present. Most economists think a short-term rate rise is unlikely; others expect one later this summer.

Tokyo's Nikkei stock market index average of 225 leading shares closed down 490.85 points at 19,841.98, after tumbling more than 500 points. The yen closed at Y114.14 against the dollar in late Tokyo trading, sharply above levels earlier this month, but below Tuesday's late New York level of under Y113. *Gillian Tett, Tokyo*

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Thai tax increases approved

The Thai cabinet yesterday approved a series of tax increases designed to raise an extra Bt7.7bn ($300m) next year and endorsed a finance ministry proposal to cut the 1997-98 fiscal budget, starting in October, by Bt26.6bn.

The cabinet also heard a report from the country's Budget Bureau that this fiscal year the government would run a fiscal deficit of about Bt63.1bn because of lower revenue collection. It will be Thailand's first budget deficit in a decade and comes in spite of Bt59bn in spending cuts approved earlier this year.

Next year's budget cuts, bringing projected spending to Bt982bn or a 4 per cent increase over this year, will come primarily from current expenditure, particularly the cancellation of a planned 5 per cent increase in civil servants' pay.

■ Thailand has agreed to lend Bt2.5bn to Hopewell Holdings of Hong Kong to help the company raise the private financing to complete its long-delayed $3.2bn mass-transit system for Bangkok. The loan was part of a package of demands Hopewell said the Thai government had to fulfil in order to tap Bt50bn in loans from overseas banks, led by Fuji Bank of Japan. *Ted Bardacke, Bangkok*

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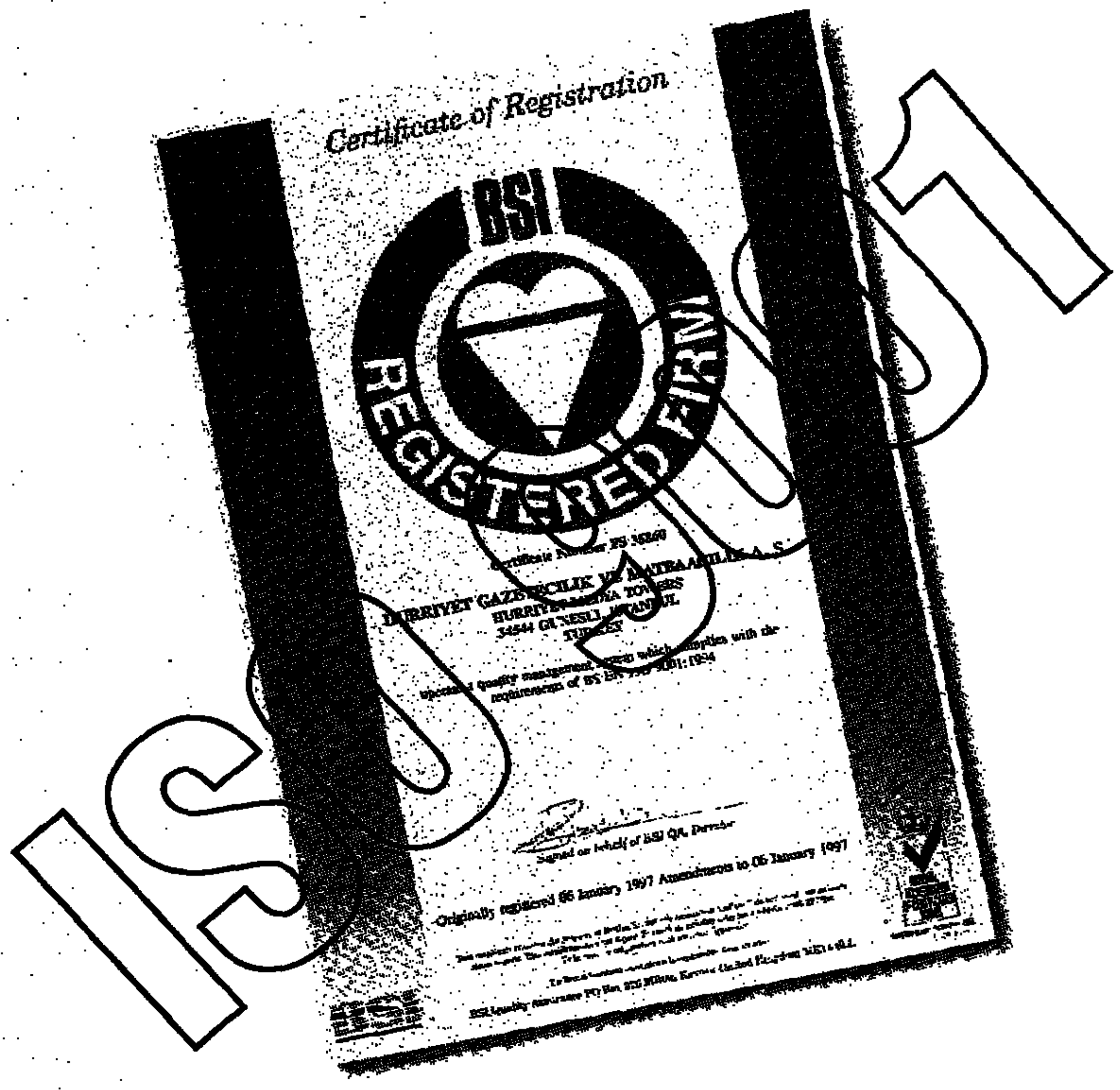
Australia to cut immigration

Australia will cut its "programme" migrant intake in 1997-98 to 68,000, down by around 6,000 places on the current year, with the reductions mainly from family reunion categories. However, the number of refugees and humanitarian places will be held steady at 12,000.

It is the second consecutive year that the new conservative federal government has cut the programme numbers. Last year, it reduced the non-humanitarian intake for 1996-97 to 74,000, from 83,000, with the humanitarian programme dropping from 13,000 to 12,000. The former Labor government, however, had also wound back the intake significantly, from over 130,000 in the late 1980s. Immigration levels have become a sensitive political issue, as Australia has failed to make real inroads into its unemployment problem since the recession of the early 1990s. Unemployment is running in the 8.5 to 9 per cent range. *Nikki Tait, Sydney*

■ The recent defence of the Philippine peso by the central bank helped cut the country's balance of payments surplus from $1.43bn for the first four months last year to $450m, according to the central bank. It said lower dollar inflows and loans payments contributed to the decline. The peso has come under speculative attack this month in the wake of the assault on the Thai baht. *Justin Marozzi, Manila*

"Hürriyet is the first and only Turkish national newspaper to receive the **ISO 9001** certificate..."



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AMERICAN NEWS DIGEST

St Lucia PM in UK protest

Mr Vaughan Lewis, St Lucia's prime minister, has protested to the British government about the participation of a Labour MP in the campaign for the island's general election on Friday. Ms Clair Ward, the British Labour MP for Watford, joined the opposition St Lucia Labour party's campaign to unseat Mr Lewis' United Workers party. She has been appearing on Labour party platforms in the island.

Mr Lewis described Ms Ward's involvement as "interference" in the island's politics, and said his protest to Britain was "strong." "It means so much for you to have a Labour government here when we have one in Britain as we are going to work together," Ms Ward, 25, told one opposition party rally.

"We find it difficult to understand how a British MP can come this far to pass judgment on what has been going on in St Lucia," said Mr Romanus Lansiquot, the government's public relations officer. "There is no way a St Lucian politician would be allowed to appear on a British platform and interfere with the politics of their country." Mr Lewis, an economist, is being challenged by Mr Kenny Anthony, a lawyer, for the premiership of the eastern Caribbean island of 145,000 people. The economy, based on bananas and tourism, is the main campaign issue. *Canute James, Kingston*

Mexican teachers in protest

Striking Mexican schoolteachers staged one of the largest-ever protest marches in Mexico City yesterday to demand a 100 per cent increase in wages. A breakaway faction of the National Union of Education Workers (SNTE) called for a 24-hour national strike and said it had brought 100,000 teachers from the country's misery belt – the poor, indigenous states of Oaxaca, Guerrero and Michoacán – to draw the attention of education authorities in Mexico City. Schoolteachers in Mexico earn less than $360 a month.

Protests began earlier this year when the pro-government leadership of the SNTE negotiated a 16 per cent wage increase with the education ministry, a rate which fell below projected inflation for the fourth year in a row.

Dissident teachers claim their wages have fallen by 60 per cent in real terms since the devaluation of the peso in December 1994. They have vowed to continue their protests until the government agrees to a better wage settlement. *Leslie Crawford, Mexico City*

Argentina corruption attack

Mr Fernando de la Rua, the major of Buenos Aires and a possible future presidential candidate for Argentina's opposition Radical party, said yesterday that corruption remained a sizeable problem in his country.

"The biggest demand of the electorate of my country is for an end to corruption and much greater transparency," Mr de la Rua said in London during an official visit to the UK.

Since taking over as the first elected mayor of Buenos Aires last August, Mr de la Rua has set out to increase the autonomy of his administration from the national government of President Carlos Menem. One of his first moves was to bring in legislation tightening up the rules governing privatisations of public sector companies in the capital. In the UK, Mr de la Rua ratified an agreement with the British Council for increased co-operation in education and established contacts with senior officials of the new Labour government. *Jimmy Burns, London*

House approves budget deal

The US House of Representatives approved a five-year balanced budget agreement yesterday after narrowly defeating an amendment which sought to boost funds for roads and mass transit.

The budget is the blueprint for $1,500bn in US government spending in the 1998 fiscal year and sets goals for balancing the budget by 2002.

Republican leaders had feared until the last moment that the transportation amendment could pass and throw their budget strategy into disarray.

Most of President Bill Clinton's Democrats supported the budget despite the decision by Democrat minority Leader Richard Gephardt, a likely presidential contender for the 2000 race, to oppose it. *Reuter, Washington*

Record US exports shrink trade deficit

By Nancy Dunne in Washington

US exports were propelled by aircraft sales to a record $76.5bn in March, shrinking the trade deficit in goods and services to $8.5bn. Imports, also a record, grew a modest 1.2 per cent to $85bn, the US commerce department said yesterday.

This comparatively good report was hailed by US trade officials who, in recent months, have had a difficult time defending rising US trade deficits. Mr Everett Ehrlich, Commerce Department under-secretary, said the "stabilisation", despite strong US growth, gives "concrete evidence of the continuing improvement in the competitiveness of American firms and workers".

Analysts said the two-month improvement in the US trade balance – February's balance was revised to $10.54bn – cannot be deemed a trend. March sales overseas were boosted by a $700m jump in non-monetary gold sales – used for jewellery and semiconductors – which tend to surge at this time every year.

Imports were contained by a decline in automotive and oil use. The strong US economy continued to draw in rising imports of foods, and industrial supplies and materials. The trade gap was about $1bn less than the Commerce Department had predicted. Analysts said this could raise the first-quarter GDP estimate from 5.6 per cent to as much as 6.3 per cent.

The good news was overshadowed by concern over surging imports from Japan, although the impact was not fully registered in the figures released yesterday. Tokyo said on Monday that its bilateral surplus with the US more than doubled in April from the previous year, as exports were fuelled by a weaker yen.

"We continue to hope that Japan will work to implement the structural reforms that will allow for balanced and steady growth benefiting both trading partners," Mr Ehrlich said.

The US deficit with China improved, as the gap fell from $3.3bn in February to $2.3bn. This was due largely to a jump in US commercial aircraft sales. Mr Ehrlich said the bilateral deficit "remains an object of concern to this administration."

The US trade deficit with Mexico continued its long-term rise, though exports advanced from $5.3 to $5.5bn. However, it is unclear how much of the exports were components sent over the border to be used in manufacture and returned to the US in finished products. Merrill Lynch said the US trade balance was unlikely to show much improvement in the near term but may improve later this year.

Ex-IBM chief in Argentina charged

By Ken Warn in Buenos Aires

An Argentine federal judge has ordered the arrest of the former president of IBM Argentina, Mr Ricardo Martorana, and the former president of state-owned Banco Nación, Mr Aldo Dadone, on bribery charges.

The arrest orders follow a two-year investigation into the alleged payment of kickbacks by IBM Argentina for the award of a $249m contract to computerise Banco Nación's 500-plus branches.

The warrants were issued on Tuesday evening by Judge Adolfo Bagnasco. Others charged include Mr Juan Carlos Cattaneo, former aide to the office of President Carlos Menem, and two other former executives of Banco Nación and IBM Argentina.

The judge also indicted five other men, four of them former executives of Banco Nación, on lesser bribery charges.

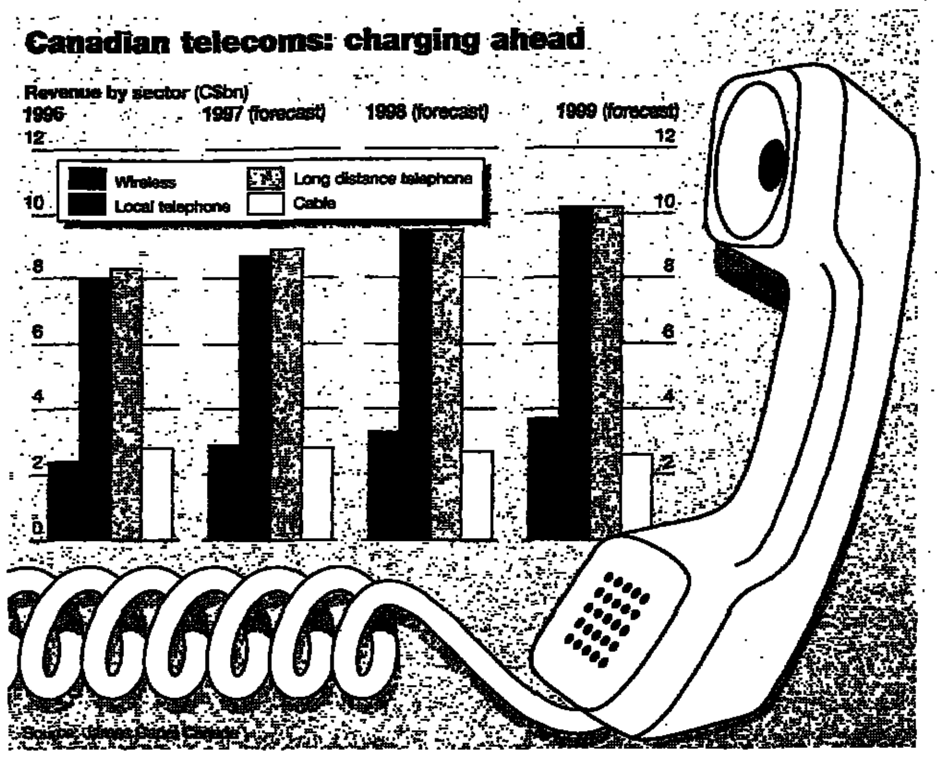
After the award of the contract, IBM subcontracted some of the work to Consad, a local information technology consultancy. Consad, through a related company called CCR, subsequently charged IBM $37m for work on a back-up computer system. Mr Cattaneo was a founder of Consad.

The back-up system was not in the original tender and was allegedly never required. It is alleged that some of the $37m was paid to officials by IBM in bribes.

IBM sacked its top officials in Argentina, including Mr Martorana, in September 1995. It admitted "serious management errors" in its handling of the contract, but denied the payment of bribes. The entire directorate of Banco Nación also resigned after the affair came to light, as did Mr Cattaneo.

FT reporters track telecommunications developments in the Americas

Rush for new markets in Canada



Canadian telephone and cable companies are working hard to devise new service and marketing strategies in the wake of recent regulatory rulings that open the telecommunications industry to competition.

The groups that come out ahead in the reshaped industry are those that offer customers reasonably-priced "one-stop shopping", access to telephone services, cable television and interactive communications through a single network.

The regulatory reform, announced at the beginning of this month by the Canadian Radio-television and Telecommunications Commission, establishes a framework under which new competitors can immediately enter local phone markets and permits telephone companies to provide cable television services beginning in January 1998.

It throws a wide range of service providers, previously limited to their sectors, into direct competition for customers in Canada's C$8bn (US$5.7bn) a year local telephone market and its C$3bn a year cable market. Long distance telephone service was deregulated several years ago and companies such as AT&T and Sprint Canada are soon expected to battle for local market share.

Exactly how the rulings will reshape the markets remains unclear. The CRTC has yet to resolve many important issues such as interconnection fees, resale prices and subsidies that keep local rates below cost. As with local telecoms reforms being undertaken in the US, the Canadian reorganisation will take several years to sort out.

In the meantime, companies will be working feverishly to choose new technology, upgrade existing systems, devise a marketing strategy and establish alliances with other companies. Groups have already been sizing each other up in anticipation of the CRTC's rulings and many analysts suggest alliances between established telephone companies and wireless providers are likely to be commonplace in the reshaped industry.

"Alliances are key and marketing is crucial," says Mr Dvai Ghose, a telecoms analyst at James Capel in Toronto.

Like many telephony providers, BC Telecom, Canada's second-largest local phone company, has for the past several months been evaluating a prospective wireless partner as it prepares to file for a broadcast distribution licence. Wireless companies pioneering new technology can quickly and relatively cheaply beam a variety of services to small satellite dishes through a network of transmitters.

This technology is likely to be the vehicle through which the telephone companies move into cable television markets. And alliances with the telephone companies will provide wireless companies with strong marketing partners, enabling them to increase their subscriber base by about 25 per cent a year, say analysts.

"The ones to watch are the wireless firms," says Bob Matthews, a telecommunications manager at Royal Bank of Canada.

The 11-member Stentor alliance of regional telephone monopolies, awash in cash, remains the best positioned to take advantage of the opportunities.

The rulings are seen by many observers as generous to the telephone companies, largely because the CRTC shied away from cost-based pricing. With telephone companies being allowed to continue subsidising local service with long distance earnings, competitors will find it difficult to enter local markets.

"That's the nut the commission won't crack," says Mr Eamon Hoey, a Toronto-based telecoms management consultant who advocates a fully competitive market.

But the Stentor companies will be challenged by the CRTC's 4.5 per cent a year productivity gain target, which must be met before they can increase rates. They acknowledge it will be difficult to improve productivity and market new services while losing market share.

"They have set the bar higher than we thought appropriate," says Mr Jim Brooks, BC Tel's director of local marketing.

Cable companies are not expected to fare well under the new rules. Burdened by large debts, they will be hard pressed to purchase switching gear and establish a network with two-way capability. Analysts predict their revenues will drop between 2 per cent and 5 per cent a year over the next few years as consumers switch to alternate providers.

BCE's Bell Canada, the country's largest regional phone company, and Telus of Alberta, the third-largest, have already received regulatory approval to conduct two-year limited broadcast delivery tests, in spite of opposition from cable companies.

Pricing issues and technical matters are to be resolved by committees or through public hearings, a process which can drag on for months or years, preventing competitors from moving forward until the details are clarified.

Scott Morrison

C&W pays $652m for Panama telecom share

By Alan Cane

Cable and Wireless, the UK-based telecommunications company, yesterday emerged as the successful bidder for a 49 per cent stake in Panama's state-owned telecoms operator, Intel.

The UK company bid $652m, the highest per capita price paid so far for a stake in a Latin American operator. The Panamanian government will retain a 49 per cent stake with 2 per cent held in trust for employees. C&W will have operational and management control and expects to take charge by the end of this month or next.

The only competitor for the stake was GTE of the US whose bid of $452m was well below the government's base price of $500m.

Panamanian government officials said they expect C&W to invest at least $500m in Intel, the Instituto Nacional de Telecomunicaciones, with a view to raising line density from 12.2 per 100 inhabitants to 25 per 100 inhabitants.

Mr Richard Brown, C&W chief executive, emphasised management control was an important part of strategy. "We want to go into places where we can control or substantially influence the business," he said.

The London stock market showed a lukewarm response, marking the shares down 6p to 502p in a rising market. Mr Andrew Harrington, chief telecoms analyst for Salomon Brothers in London, said C&W had not paid an excessive price for the stake but the deal was at the margins of the company's global strategy. It was opportunistic, he claimed.

C&W's chief concerns remain the future of Hongkong Telecom after the handover of Hong Kong to China on July 1 and the possibility of joining a global telecoms alliance. C&W is talking to Global One, the alliance between Deutsche Telekom, France Telecom and Sprint of the US and AT&T, the largest US carrier, among others. C&W is the third largest carrier of international traffic. C&W West Indies represents 22 businesses in the Caribbean.

Puerto Rico to sell off state monopoly

By Canute James in Kingston

Puerto Rico will determine "in the next few months" the minimum price for which it will sell the island's telephone company, after which it expects mainly US telecommunications companies to make bids, according to government officials.

The Puerto Rico Telephone company has had a monopoly on telephone services in the US possession in the north-east Caribbean for 22 years.

"The government should not be competing in areas where it is not effective," said Mr Pedro Rossello, Puerto Rico's governor, in announcing the planned divestment. The company, has a network of 1.5m lines, and made a $130m profit last year on revenues of just over $1bn. It has assets of $2.2bn.

Impending competition will affect the sale price, say local analysts who are predicting the company will be sold for about $1.5bn. Bell South, Atlantic/Nynex and GTE of the US are the most likely bidders; Telefonica of Spain is also expected to be interested. The sale will be managed by the Puerto Rico Development Bank, which will determine whether the company will be broken up before it is divested.

"Government bureaucracy inhibits the company's ability to compete with the giants now entering the field," said Mr Marcos Rodriguez-Ema, bank president.

Caribbean angry at 'big brother' US

Caribbean governments are objecting to proposals by the US Federal Communications Commission to change the basis on which telecommunications companies share the revenue from international telephone calls.

The governments contend that the FCC proposals for altering the international accounting rates will harm their economies and hinder rather than encourage the expansion of telecommunications services.

The US government and the FCC so far have not accepted these as reasons enough to change their plan for phased introduction of the new rate structure on July 1.

The argument is one of straight economics. Each time a call is placed to another country, the originating telephone company must pay the destination country for completing the call. Under the current system, says the US, it paid $5bn to foreign operators in 1995 for completing telephone calls. That was $4bn more than it received from foreign companies. About one out of every four international calls is made from the US.

The FCC argues that Caribbean termination rates for international calls are among the highest in the world. Barbados charges 52 US cents per minute for calls from the US, while the UK, by comparison, charges 9 cents, say FCC officials.

The Commission plans to use gross domestic product figures to determine new accounting and settlement rates for countries. Regional telecommunications companies suggest that the new FCC rates could cost Jamaica $75m a year, Trinidad and Tobago $35m, and Barbados $10m. Officials concede that consumers generally and business in particular will benefit from lower rates for international calls. Sectors such as offshore financial services and information services will benefit from reduced rates. However, all consumers will end up paying more for other services to compensate for the carriers' loss of revenues, they say.

In discussions with US officials over the past two months, and in a meeting with President Bill Clinton in Barbados 10 days ago, Caribbean leaders accused the FCC of unilaterally imposing the new rates. They claimed that these would adversely affect the viability of telecommunications companies in several countries.

Proposed new revenue share-out on overseas calls prompts unease

"It would also retard regional economic development especially in the context of efforts at diversification in the services industry," the region's leaders told the FCC.

Mr Richard Wainwright-Lee, Cable and Wireless' director of group development and regional businesses, said: "International accounting rate revenues represent a substantial source of hard currency for many countries."

Local telephone rates could double if Trinidad and Tobago's phone company were forced into rate re-balancing, said Mr Richard Azar, the company's chairman. "The domestic telephone service is heavily subsidised by international call revenue," he said. "If the company is to sacrifice all this revenue, then we cannot continue to place telephones all over the country. Local rates would increase substantially, possibly by as much as 100 per cent."

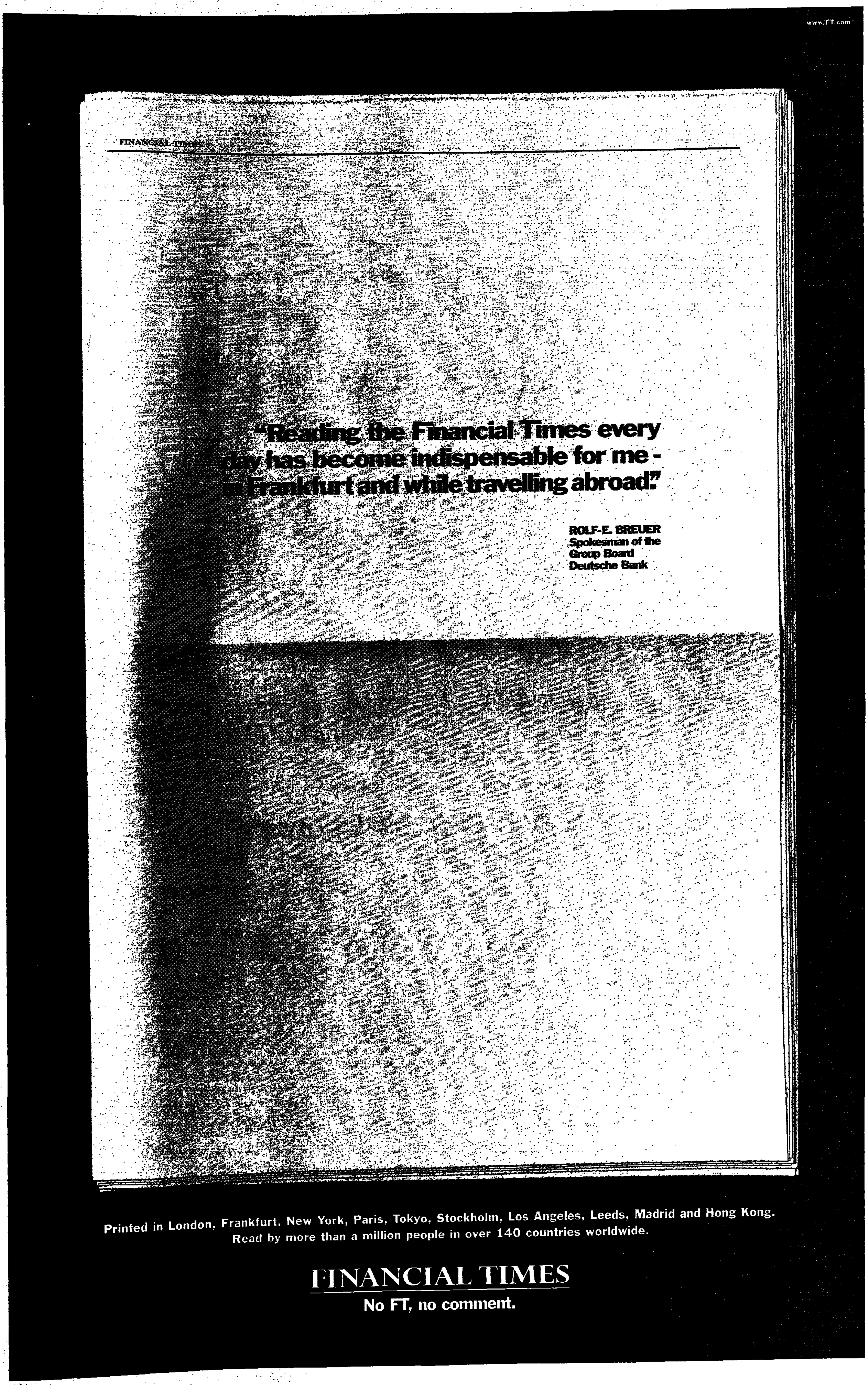
Caribbean leaders have been told by US officials that telecommunications costs in the region were made high because of monopolies, and that "competition was the best way to benefit the consumer".

The target here appears to be Cable and Wireless, which is heavily involved in the region. The company says it has invested $1bn in the Caribbean over the past five years, and will spend a similar amount over the next five years.

Mr Percival Patterson, prime minister of Jamaica, said increased competition and an end to monopolies would not significantly affect the impact of the FCC's change in the accounting rates.

"Whether the telecommunications companies are publicly or privately owned, or a combination of both, makes no difference to our concerns about this FCC proposal. It would mean in many cases that the local rates would have to rise substantially, and would hamper and delay the development of telecommunications services."

Canute James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Foreign secretary says ban 'will enable us to speak with authority at negotiating table'

Landmines stock to be scrapped by 2005

By George Parker, Political Correspondent

Britain is to scrap its stockpile of landmines by 2005 at the latest, in a new initiative by the government to encourage a worldwide ban.

Mr Robin Cook, foreign secretary, yesterday gave substance to his promise to bring an ethical dimension to foreign policy by banning the import, transfer and manufacture of anti-personnel mines.

Britain is to take part in the "fast track" Ottawa process, which could result in Britain being in the first wave of major powers to scrap landmines.

The so-called Ottawa group of about 60 nations hopes to sign a declaration to ban mines before the end of the year.

If a treaty is signed, the signatories would be expected to phase out their arsenals by 2000. Other powers such as the United States, France and Russia would then come under pressure to follow suit.

In a further development Mr Cook announced an immediate moratorium on their use by British armed forces, including the runway-cratering mines used by the Royal Air Force in the Gulf war, until stocks were decommissioned.

Mr Cook said: "Our twin commitments to a ban on trade and a moratorium on the operational use of landmines will enable us to speak with authority at the negotiating table, and to lead by force of example. Every hour another three people lose their life or lose a limb from stepping on a landmine."

The announcement delighted Oxfam and other humanitarian organisations which have campaigned for years to highlight the thousands of civilian deaths and injuries caused by mines. In recent months Diana, Princess of Wales, has added her voice to calls for a global ban.

"This is exactly the kind of leadership we have demanded from the British government," Oxfam said. "Putting human rights at the centre of foreign policy sends a very positive signal."

Although the Conservative administration had called for a global ban on landmines, it set no timetable for their elimination. It had also considered importing so-called "smart mines", which deactivated themselves over time. The UK had already imposed a ban on the export of land mines, but no domestic company had manufactured the weapons for many years.

Military chiefs won a concession from Mr Cook that they could ask for ministerial permission to use landmines in "exceptional circumstances", until the stockpiles were eliminated.

The military believes it will have developed alternative "area denial" weapons by 2005 to replace land mines, such as anti-personnel shells fired by artillery.

Trade unions to press for 'social partnership'

By Robert Taylor, Employment Editor

The Trades Union Congress said yesterday it wants to develop a continental European-style "social partnership" with government and employers.

Mr John Monks, the TUC general secretary, denied that this would involve a return to "the kind of arrangements that existed in the 1960s and 1970s" when British trade unions exercised substantial power over Labour governments.

"Nobody wants that," he said. "But I am optimistic the government's clear commitments and strong mandate provides the right backdrop for constructive engagement between the TUC and the Confederation of British Industry [the biggest employers' lobby]." He added that the TUC had made no secret deals with Labour before the general election.

In the first part of what the TUC hopes will be a developing agenda, it publishes its submission to Mr Gordon Brown, the chancellor of the exchequer, for his promised summer Budget.

The TUC argues that no further interest rate rises are needed this year. Mr Monks said the government was on course to meet its inflation target so that any rate rise "would damage investment, exports and jobs".

He added: "We do not believe – other than the windfall tax on the privatised utilities – that taxes need to be raised."

Mr Monks said he had met Mr Tony Blair, the prime minister, on Tuesday for the first time since the election to discuss the coming national minimum wage, the European social chapter and other employee rights.

Mr Monks said the TUC hopes to develop a "social dialogue" with the CBI on the implementation of European Union rules in Britain and problems of competitiveness, "where there is a clear mutual advantage in working together".

The TUC is also keen to see trade unions playing an active role in the development of the government's labour market initiatives, especially its "welfare to work" proposals to put up to 250,000 long-term jobless into work.

The Trades Union Congress is launching a marketing subsidiary today to provide low-cost gas and electricity for union members through partnerships with supply companies. The move is designed to take advantage of next April's liberalisation of the energy market. The new body – Union Energy – is already negotiating with 17 energy companies and hopes to obtain tenders with three of them by the end of June. The deals could mean cuts of up to 20 per cent in gas and up to 10 per cent in electricity bills for trade union members, who account for 4.6m of the UK's 23m households.

Labour unleashes a whirlwind

Three busy weeks after years in opposition

May 2 Tony Blair appoints first Labour cabinet for 18 years

May 5 Chief trade minister Margaret Beckett says government wants "real partnership with industry"

May 6 Bank of England is given power to set interest rates within government targets

May 7 Foreign secretary Robin Cook says on trip to Paris and Bonn that "sterile, negative and fruitless conflict" between the UK and its European neighbours will end

May 8 Transport minister Gavin Strang to review powers of regulators of privatised rail companies: "This government will not tolerate inadequate performance"

May 9 Blair warns Dutch premier Wim Kok that UK will block extension of EU majority voting into defence and foreign policy

May 11 Peter Mandelson, minister for policy co-ordination, says June Budget will include biggest changes to welfare state for 50 years

May 12 Foreign Office "mission statement" stresses trade promotion and upholding of human rights; Chancellor Gordon Brown says at his first meeting of EU finance ministers that sterling is unlikely to be in first wave of Emu

May 14 First session of parliament to cover 26 bills including ban on private ownership of handguns

May 15 Dissident Labour MPs are ordered not to campaign against party policy on a seperate parliament for Scotland

May 16 Home secretary Jack Straw orders inquiry into alcopops (alcoholic fruit drinks and sodas) and threatens to control marketing and advertising because of the drinks' attraction to young people: Blair says united Ireland is off government's agenda

May 19 Ban on tobacco advertising to extend to sports sponsorship; Martin Taylor, chief executive of Barclays Bank, to head government task force on taxation and benefits

May 20 Bank of England to lose its supervisory role; closure of slaughterhouse in southern England ordered because of poor standards; government offers to speed up compliance with EU demands on "mad cow disease"

Young men of power

Rail regulator criticises privatised track company

By Charles Batchelor, Transport Correspondent

The rail regulator, Mr John Swift, will tighten his controls over Railtrack – the privatised owner of track, stations and signalling – to ensure it carries out investment promises. Mr Swift said Railtrack's performance in meeting its investment timetable had been "disappointing" and there was no way of checking whether the company was spending the £1bn it pledged to invest each year.

Mr Swift's proposal to tighten regulatory controls came a few days after a meeting with Mr John Prescott, deputy prime minister and chief transport minister, to discuss the regulation of the railway industry. Mr Swift said, however, that his proposals had been under study for some time.

"The regulator's announcement exposes the weaknesses in the present system," said Mr Prescott yesterday. "Railtrack receives vast amounts of public money each year. We need a system of regulation which guarantees this money is spent in the public interest."

The City, however, appeared to ignore this tough talk and Railtrack's shares rose 8¼ to 440p.

Railtrack and Mr Swift had co-ordinated their statements to the stock market, and one analyst said that apart from requiring clearer targets to be set by the company, the regulator did not appear to be planning significant changes.

Mr Swift's announcement came one day after Railtrack unveiled a £1bn programme to upgrade 2,500 stations. He said he welcomed Railtrack's recent publication of its 10-year investment statement but more needed to be done.

"The statement is only a set of plans and I have concluded that it is now timely to consider strengthening Railtrack's obligations to ensure delivery of those plans. In certain areas, Railtrack's delivery has been disappointing. There remains a substantial backlog of expenditure on network assets, stations and depots which Railtrack must eradicate as a priority."

Mr Swift said he had begun discussions with Railtrack aimed at agreeing a modification to its operating licence.

Upheaval at Bank of England: headhunters pursue staff in doomed supervisory unit

Governor discloses he considered resigning

By Robert Peston, George Graham and David Wighton

Mr Eddie George, Governor of the Bank of England, disclosed yesterday that he had considered resigning over the decision, announced on Tuesday by Mr Gordon Brown, chancellor of the exchequer, to remove responsibility for supervising banks from the Bank.

"All sorts of things go through your mind," he said, though he added he had not seriously entertained the idea of quitting.

Mr Brown has to find candidates for two deputy governor posts and four vacancies on the Bank's new monetary policy committee. Mr Gavyn Davies, the chief international economist at US investment bank Goldman Sachs and one of Labour's wealthiest supporters, has been tipped for one of the deputy governorships and is seen as a possible successor to Mr George as governor.

Meanwhile Mr George yesterday disclosed that he still believes the Bank should have a role in supervision, although he admitted that the government's plan had its merits. Mr George said the lines between banks, securities firms and insurance companies were becoming more blurred. At some point they might become so similar that it made sense to put them all under the same regulator.

"We have argued that we are not confident that point has been reached now, but the structure of a mega-regulator makes sense in that kind of world," he said.

Although Mr George was only informed of the government's plans on Monday, he refused to criticise the chancellor for failing to consult him about the decision.

"Had we spent more time I think the answer would still have been the same. That would have meant a delay, and I think he was quite right to move when he did," Mr George said.

The Bank's 425 supervision staff have been thrown into turmoil by the unexpected transfer of their activities to a new super-regulator. Senior officials admitted their surprise yesterday and expressed concerns that their best employees were already being pursued by headhunters.

Many details of how the transfer will be achieved remain unclear and the Bank's directors have been unable to reassure staff on their job prospects.

In the wake of a study carried out by the Arthur Andersen management consultancy, the Bank has been expanding its supervision department. Staffing rose last year by 10 per cent to 425 and Mr Michael Foot, executive director in charge of supervision, said that was likely to rise to 480 by the end of the year.

There is little prospect of redundancies. "Overall, there will be at least as many jobs needing to be done as there were before," said Mr Foot.

The Bank's supervision department has traditionally had much lower staff turnover than the self-regulatory organisations it will be joining at SIB.

Separation of powers still under debate

Years of debate over the ideal structure for financial regulations were swept away on Tuesday by the government's sudden decision to roll responsibility for supervising banks into an expanded Securities and Investment Board, along with the activities of self-regulating organisations such as the Personal Investment Authority.

But the argument over whether it makes sense to place so many functions under the same roof will not go away that easily.

One of the successes of the UK regulatory system, many banks and securities firms would argue, is that it has drawn a distinction between the rules needed to govern a financial adviser selling unit trusts to small investors and the rules needed for wholesale markets whose participants are large banks well able to look after themselves.

The SIB has had overall responsibility for 10 years for investor protection and wholesale markets. But beneath the SIB's umbrella, the PIA, whose members sell directly to the public, has operated in a very differently way to the Securities and Futures Authority, many of whose members deal only with other institutions or professional investors.

Mr Michael Taylor, a former Bank of England official and lecturer at London Guildhall University, argues that the functions of protecting the consumer and protecting the financial system as a whole need to be separated. It is a concern that Mr Eddie George, governor of the Bank of England, has in the past appeared to share.

There are two main arguments for involving the central bank in the supervision of the financial system. First, the central bank, through its role in the payments system, handles the accounts of all banks. It is therefore, in theory, well positioned to spot danger signals.

Second, the central bank is the lender of last resort. If it is to step in to support a failing bank, it must be in constant touch with that bank and others showing similar weaknesses.

Even in cases where the Bank of England has not put up its own resources, such as Barings, many officials argue that its intimate knowledge of the ailing bank enabled it to broker the deal which allowed ING of the Netherlands to take over the Barings business.

That is an argument that Mr Alan Greenspan, chairman of the Board of Governors of the US Federal Reserve system, makes even more forcefully, in his efforts to ensure that process of reforming financial regulation in the US does not result in weakening the Fed's role in banking supervision.

"It is critical that we guard against diminution of this role as yet another unintended consequence of financial reform," he warned recently.

George Graham

UK NEWS DIGEST

Trade minister to visit Japan

Mrs Margaret Beckett, the trade and industry secretary, is to head a trade delegation which will travel to Japan this weekend. She will meet senior ministers from the ministries of finance and of international trade and industry (Miti).

She will also meet Dr Shoichiro Toyoda, honorary chairman of Toyota, and head of the Keidanren, the industry federation, and will address senior representatives of large Japanese investors in the UK and financial services executives.

Mrs Beckett said: "A key element of my visit will be to brief Japan's leading investors in the UK on the new government's continuing strong support for them. I have seen first hand the benefits that inward investment from Japan brings to the UK with Toyota's operations in Burnaston, in Derby. I intend to ensure that the UK is the most attractive place for further Japanese and other international business."

She also announced reforms of UK government support for companies taking part in international trade fairs to give business greater input in the targeting of funds. She is reversing the former Conservative government's plans to allocate trade fair support on the basis of competitive bids, a move which was sharply criticised by business when announced in January. *David Wighton, London*

■ ETHNIC MINORITIES

Groups improve position

Chinese and African-Asians in Britain have improved their economic situation to the point where "in many ways they are doing as well as white people", according to a study published yesterday.

And a higher proportion of ethnic minority children than whites now stay on in education after the age of 16, the most detailed study of ethnic minorities in Britain, produced by the Policy Studies Institute, shows.

The study, the fourth in a series begun in the 1960s, found relatively high unemployment among some ethnic minorities. About 15 per cent of white, Chinese and Indian men of working age do not have a job, compared with 40 per cent of Pakistanis and Bangladeshis and 31 per cent of Caribbeans. Only 20 per cent of Pakistani and Bangladeshi women work compared with two thirds of whites and other ethnic groups.

The report found that Pakistanis and Bangladeshis are "in serious poverty": more than 80 per cent have incomes below half the national average, four times the number of whites. *Edward Whitehouse, London*

■ FILM INDUSTRY

Spielberg opts for Ireland

Mr Steven Spielberg, the Oscar-winning Hollywood director, has decided to transfer part of the production of his new film, *Saving Private Ryan*, from England to Ireland despite a strong lobby by the UK film industry.

The decision is a blow to the UK film industry, which had hoped the prestigious Spielberg production would be the first of a series of US-funded Second World War films to be shot wholly in the UK. The war is a fashionable theme in Hollywood. Part of *Saving Private Ryan*, a wartime drama starring Tom Hanks and Edward Burns, will be filmed this summer at a disused British Aerospace site north of London. Mr Spielberg had planned to shoot the D-Day landing sequences on the coast of eastern England.

His plans changed when the UK defence ministry refused to supply 1,000 professional soldiers or Territorial Army volunteers to act as extras in the landing sequences. The ministry said not enough soldiers were available because so many military personnel were on active duty. *Alice Rawsthorn, London*

■ AGIP CLAIM

Island court sets aside judgment

The 1989 Agip judgment issued in the UK High Court against Isle of Man accountants Jackson & Co was yesterday set aside by the island's court. The island between Britain and Ireland has extensive law-making powers.

Agip, the Italian state oil company, claimed originally to be have been defrauded of US$17m over a seven-year period up to 1985. The money was being transferred from its Tunisian branch through offshore companies and London to a Tunisian woman residing in Paris. Jackson & Co handled the transfers for the last 18 months and Agip's claim against them, and the judgment, was for the final payment sent down this route in January 1985.

The judgment, for repayment of US$518,000 plus interest, was registered in the Isle of Man at the end of 1989 then assigned to Bowring insurers in the island.

Mr Barry Jackson and Mr Ian Griffin have consistently fought against the judgment since 1989, saying Agip was not defrauded and knew the payments were being made and where they were going. *Sue Stuart, Isle of Man*

■ CONSUMER CREDIT

$2bn rise in borrowing recorded

Consumer credit remained robust last month as banks reported a £1.23bn ($1.99bn) rise in borrowing by individuals during April. Last month was the seventh in a row that personal borrowing rose by more than £1bn, the British Bankers Association reported yesterday.

Mr Tim Sweeney, director-general of the BBA, said April's figure was the second largest monthly rise since the series began, with banks' mortgage lending up by £740m and consumer credit by £497m. April's total was £188m more than March, but below February's record level of £1.37bn.

Overall lending by major banks showed a modest rise, the BBA said. Seasonally-adjusted lending in sterling rose by £1.04bn, substantially below March's increase of £5.15bn and the average for the last six months of around £2.8bn. The slowdown was caused in part by a lower level of lending by banks to other financial institutions of around £1bn, compared with £1.7bn in March.

M4 money supply – which measures cash plus bank and building society deposits – grew by 0.3 per cent during April, and 10.4 per cent in the year to April.

It is still above the 3 per cent to 9 per cent annual monitoring range adopted by the government, but well below the more than 11 per cent growth that had been forecast by economists. *Richard Adams, London*

Watchdog warns that attack on 'systems bomb' is faltering

By Paul Taylor in London

A report to parliament published yesterday suggests that the government's programme for ensuring that its computer systems will be "Year 2000 compliant" is already slipping.

The report, from Sir John Bourn, head of the National Audit Office, says most government departments are aware of the Year 2000 computer problem, but do not know how much it will cost to make the modifications needed to ensure that systems continue to work after December 31 1999.

The so-called "millennium bomb" results from the common software practice of storing the year in a date as two digits – 97, rather than 1997 – to save memory. After December 31 1999, affected computers may malfunction in unpredictable ways because of their inability to recognise a date in the 21st century.

The report reveals that most departments are still at the stage of auditing their systems even though a deadline of January this year had been set for completing an audit.

Last autumn, two government agencies, the Central Information Technology Unit and the Central Computer and Telecommunications Agency, set out a programme of action to ensure that the government's response to the millennium bomb was "co-ordinated and coherent". As part of that process, the agencies set three criteria of success:

- Completion of the audit process by January 1997.
- A prioritised and costed programme of action by October 1997 for all departments.
- The testing of all modified systems by all departments by January 1999.

The National Audit Office report also notes that "at this stage it is not possible to estimate costs with confidence" because the audits have yet to be completed.

Mr Robin Guenier, head of Taskforce 2000, the body sponsored by the government's Department of Trade and Industry to raise awareness of the problem, said the report was "worthy but thin" and expressed concern that it might encourage "complacency" in the government machine.

He expressed surprise that government departments were still completing their audits and questioned how most could be confident about completing the work on time.

"Until an audit is complete it is impossible to know the size of the problem," he said. "Most private companies which have completed audits have found that it is much bigger than they expected."

Estimates prepared by TaskForce 2000 have put the total cost of tackling the "bomb" in Britain at £31bn ($50bn).

- One fear is that share prices in companies hit by the bomb may collapse, James Mackintosh writes. Predictions from the US are that this is likely to happen to 1 per cent of businesses.

However, so far only one large UK fund, Scottish Widows, has announced that it is limiting its investments to year 2000 compliant businesses. Most UK companies have not yet tackled the problem.

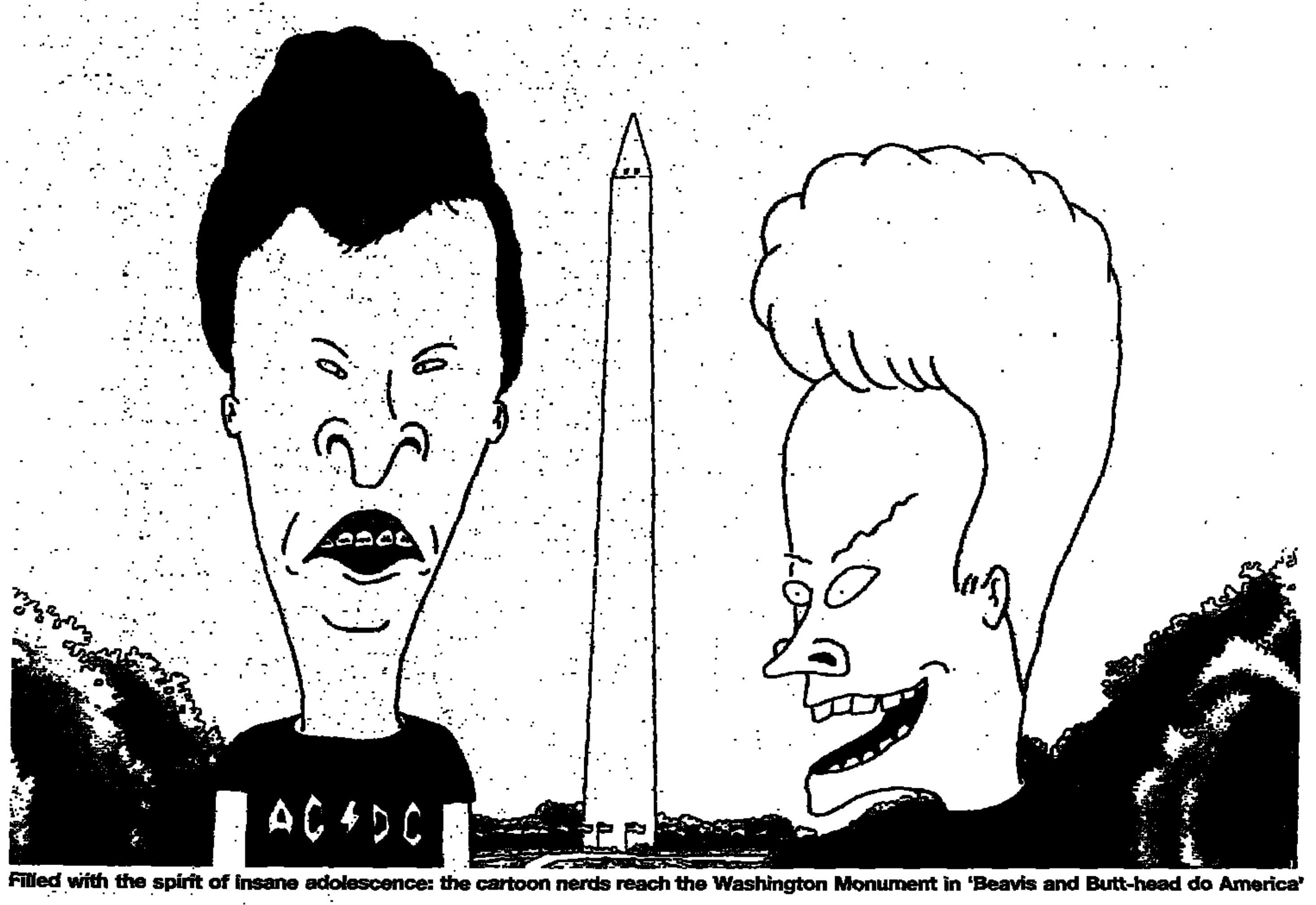
One UK regulator admits that she would never invest in anything – from a pension through to equities – without checking with the company that it has corrected its computers.

Mr Guenier says everyone "should ask their pension fund [if it is] fixing its own systems and investing only in companies which are [2000] compliant".

He adds: "It would be very prudent for everybody to get a hard copy record" of their bank account, pension and investments towards the end of 1999.

Meanwhile, CrestCo, the operator of the Crest automated settlement and share registration system used by the London Stock Exchange, says its system will not be affected.

"Small investors should not have any worries that their shares will just disappear – there is no risk of that," it states.



Filled with the spirit of insane adolescence: the cartoon nerds reach the Washington Monument in 'Beavis and Butt-head do America'

Cinema/**Nigel Andrews**

Chaos on a shoestring

Chaos, cleverly handled, is a wonderful movie device. It transforms the two best films of the week, *Beavis And Butt-head Do America* and *Love And Other Catastrophes*, from dodgy-sounding essays in shoestring extemporisation into comedies smartly laced with satire, madness and indulgent topicality.

Their combined budgets must have been less than Arnold Schwarzenegger's cigar allowance in *Eraser* and their scripts were probably written late at night, under the influence of anything going: coffee, nicotine, insomnia. But one film is a screwball charmer about life and love in Australia's X or possibly Z generation. The other is an animated feature whose rude draughtmanship helps, not hinders, its cause.

As on MTV, where their schoolboy jokes and convulsive snickers punctuate, and puncture, the solemnity of wall-to-wall pop promos, Beavis and Butt-head are majestic cartoon nerds. In the much commentated-on "dumbing" of America, led by such stalwarts of arrested development as Jim Carrey and the Wayne's World team, B and B are the Beaumont and Fletcher of inanity.

They do almost nothing but talk while having almost nothing to say. Yet creator-animator Mike Judge, who wrote and directed, fills them with the spirit of insane adolescence. Sex, TV, acne, illiteracy, rude jokes, hyperexcitability: all teenage life is here, with no-one to cry "When" as it is decanted into the big balloon faces that sway atop stick-like bodies. Beavis is the one who looks like John McEnroe seen through a distorting lens. Butt-head has the velociraptor teeth, Bride of Frankenstein eyebrows and manic chuckle.

Judge pushes them out of a TV studio into a road movie. They zigzag across America from Los Angeles to the White House via Las Vegas, caught in complicated or incomprehensible plots involving girls, drugs, car crashes and the FBI. In the face of every danger and temptation they remain virginally gormless, while also cracking up at their own behind-the-bicycle-shed puns and jokes.

The duo has become so legendary that the soundtrack is filled with guest voices, including Robert Stack, Demi Moore and Bruce Willis. But the best voices are the heroes' own, both ventriloquised by Judge. A virtuoso feat, not least when Butt-head twice swallows an overdose of uppers and turns from a mild delinquent into a deranged motormouth somewhere north-by-northwest of Robin Williams.

Love And Other Catastrophes was made by a 23-year-old film school graduate, Emma-Kate Croghan. No juster compliment can be paid than to say the movie looks and sounds like it. It is fresh, funny and non-synthetic. Croghan has assembled a group of chums and made them play Melbourne University students, pushed by fate and irony through a day of lost-and-found love, of vocational crisis, of recreational pleasures (not that far removed from those of Beavis and Butt-head).

Allowing for mild cuteness attacks, this is a winning ensemble piece. Croghan takes her spry, eclectic sense of humour partly from the mentors she quotes – Jane Austen, Lewis Carroll – and partly from the eternal contrary-motion comedy that is campus life: a place where young people dedicated to growing up are surrounded by older people dedicated, even more strenuously, to staying young.

★

Boris Yeltsin reportedly emerged from the Kremlin during shooting on *Anna Karenina*, the first western film made entirely in post-Soviet Russia, and asked everyone to keep the noise down.

One cannot imagine what the sequence was. Most of this Tolstoy epic written and directed by Bernard Rose (*Candyman*, *Immortal Beloved*) deafens us only with its demureness. The passions vocalised by Sophie Marceau's Anna and Sean Bean's Vronsky would fill a small broom cupboard, while James Fox's Karenin is a poodle cast as a Pinscher and Alfred Molina's Levin has the beleaguered speech rhythms of a Tony Hancock lost in Railway Cuttings, East Petersburg.

BEAVIS AND BUTT-HEAD DO AMERICA
Mike Judge

LOVE AND OTHER CATASTROPHES
Emma-Kate Croghan

ANNA KARENINA
Bernard Rose

MON HOMME
Bertrand Blier

JUNGLE 2 JUNGLE
John Pasquin

The famous adulterers "fall" for each other for no better reason than their inability to stand up, either as characters or as embodiments of a great passion. Rose's often excruciating script is full of right-on jargon like "Alyosha, you have the moral high ground." I ended up doodling my ideal modern cast – Jeremy Irons as Karenin, Kristin Scott Thomas as Anna, Liam Neeson as Vronsky, Kenneth Branagh as Levin – while watching this one drown in the sumptuous post-Soviet/pre-Soviet scenery.

★

"I was born with a talent to make sap rise," Anouk Grinberg gurgles serenely as the *gamine* Parisian hooker in *Mon Homme*. In Shakespeare all the world's a stage; in Bertrand Blier it is a brothel. The new film from the French maker of *Les Valseuses* and *Trop Belle Pour Toi* is another essay in sex-obsessed boulevard surrealism, in which Adam delves and Eve comes, with many an unprintable sigh and exclamation of pleasure.

Feminists have applauded Blier for his portraits of women as sexual and career initiators. But I doubt that any political agenda is really behind a heroine like Marie (Grinberg), who cocks a gartered leg at every man passing her *maison de passe*, adopts a filthy tramp (Gerard Lanvin) to make him her pimp and lover, and whiles away his ensuing jail sentence by playing at being a housewife before once more taking up the handbag and fishnet stockings. In Blier's comedy human identity, like human morality, just gets pushed through the revolving door of human happenstance.

The first half-hour is the best: a montage of impertinently funny sex scenes, spiced with touches of Feydeau (client hiding in cupboard) and dialogue in which high candour meets high Dadaism. "Did I make you come?" asks the panting client; "It wasn't the Pope," deadpans the breathy prostitute.

Jungle 2 Jungle is the film you can drop Aunt Edna off at before seeing *Mon Homme*. No one has sex here: as in all Disney movies life happens by parthenogenesis. Not that "life" is the first word you would apply to this by-the-numbers comedy in which stressed New York stockbroker Tim Allen meets his long-lost son born and raised in an Amazon Indian tribe. (Never mind how or why).

Just as Allen's Mr Wall Street is out of place in the big jungle, so the boy is out of place when whisked off to the Big Apple. While *Crocodile Dundee* and *The Emerald Forest* might seem likely models, the film was actually based on a French comedy, *Un Indien Dans La Ville*. The funniest moments, though, are the silliest and most incidental: notably a cat sedated by a blowpipe whose rigor-mortised antics are as endearing as those of the famed parrot in the Monty Python sketch.

Theatre/**Alastair Macaulay**

Poetic pain of departure

The Romantic issue of leaving home goes deep in much Irish art. In leaving the community, you pull up your own roots. You assert your own individuality at the price of betraying a part of yourself. Whether you leave family, village, or Ireland itself, the departure is an almighty wrench, attempted with both desire and pain: so we see in Irish playwrights from J.M. Synge to Martin McDonagh.

This is the central theme of Sebastian Barry's play *Prayers of Sherkin*. Its slow and wordless conclusion is exceptionally poignant: Fanny Hawke, centre-stage, is being slowly rowed by the ferryman, and her progress is indicated simply by the gradual fading of the light on her father, John Hawke, waving her a shy farewell on the right shore, and by the gradual rising of the light on Patrick Kirwin, her husband-to-be on the left. We feel the love that both men feel for her; and we feel her suspension between the two.

Since *Prayers of Sherkin* was first performed in Dublin in 1990, Barry has won widespread acclaim as the author of *The Steward of Christendom* (1995). Sherkin is a small island off the southern Irish coast, to which three dissenter families from Manchester moved in the 1790s. They only married within their own sect; but no newcomers arrive and now, in the 1890s, one family remains, its womenfolk all spinsters. To marry Patrick, whom Fanny meets during the play, she must leave family, island, religion.

Much of the play concerns Sherkin and, naturally, its prayers. The play is slow, stylised and poetic, and this prepares us for the slow, stylised poetry of its conclusion. The characters speak their Irish dialect in long and perfect sentences, with elisions few and far between. The rituals of island life – such as John Hawke's craft as a candlemaker – are given their faint and little beauty, and the piety of the family is given its due honour.

The problem that this raises in performance lies in the tension between the controlled purity of island life and the naturalistic pressures felt by its individuals. In John Dove's Old Vic production, when Fanny's brother Jesse chokes early on, it seems unduly momentous; we think it will amount to more than it does. When Catherine Cusack delivers Fanny's night-time prayer ("Peace to the Ganges, my God, the Amazon and the Shannon") she moves with a realistic fidgetiness that contradicts the calm rhythm of her speech. True, there are contradictions within Fanny; but Cusack does not quite know how to show two simultaneous layers of thought.

All the Irish accents are technically good, but a few of the English actors handle them with an unspontaneous quality that makes the play feel more laboured than it is. And, in truth, it is already laboured. When John talks to his daughter of making candles for the unholy people of Baltimore, he puts it this way: "Am I not bringing little bundles of light to a place that light cannot feed?" Such lines are more precious than lovely.

The level of acting is never less than high, with exquisite contributions from Julian Glover as John, Stanley Townsend as Patrick, and Ingrid Craigie and Harry Towb in supporting roles; and above all from Susan Engel and Anne Carroll as Fanny's two aunts. But the overall impression is too exquisite. Although I love the ending, it is a long haul getting there.

In repertory at the Old Vic, SE1.

Recitals in London

Mezzo of the moment

Who is the mezzo of the moment? Anne Sofie von Otter is too well-established, Cecilia Bartoli too sheltered and none too versatile. No, the only mezzo-soprano who can rightly claim the bouquet is Susan Graham, the most European of younger-generation American singers. Having conquered Covent Garden, Salzburg and France in the past three years, she has just recorded her first solo disc and begun an international recital tour. She richly deserved her full house at the Wigmore Hall in London on Tuesday.

Anyone expecting Graham to offer the same personality as her Cherubino, Composer or Marguerite would, however, be disappointed. She is a reticent, careful recitalist – more the girl-next-door than a stage artiste who sets out to woo her audience. A Graham recital is all about the voice; what she does with it is less interesting.

But what a voice! Here is a fragrant high mezzo which sounds perfectly shaped in every register. She is in complete command of it, and it responds with effortless projection. Like so many of her American colleagues, she has achieved that projection at the expense of warmth and colour. And a range of different colours was the quality most noticeably missing from this recital.

The programme took us on a tour of Graham's strengths and successes: Mozart, Richard Strauss, some French *mélodies*, Bernstein, Bolcom – and four Lieder from *Des Knaben Wunderhorn* to whet our appetite for what must surely develop into a wider Mahler repertory. Her opening group of three Mozart love songs were more felicitous than flirtatious, showcasing her shapely coloratura and linguistic skill, as she flitted from German to Italian (and later to flawless French) with disarming ease. Uniformity of expression robbed her Mahler of painterly breadth, but Strauss's *Leises Lied* brought out the shimmering glint of Graham's middle voice.

The pick of the evening was her Reynaldo Hahn selection after the interval: *A Chloris* was pure Elysium, as the voice filled out with Gluckian rapture, and time stood still in *Infidelité*. Her Poulenc was almost as persuasive – particularly *Paganini*, in whose insouciant wit she and her accompanist, Roger Vignoles, sparkled. We would gladly have tarried in Graham's Paris much longer – but it was back to Broadway for a somewhat strait-laced closing group of vernacular tunes. Graham is a lovely singer. She has yet to develop into a story-teller.

Andrew Clark

A pianist always true to himself

Tuesday's recital was the big one in Maurizio Pollini's long-awaited Beethoven piano cycle. It included the "Hammerklavier" and was also the one in which Pollini's controversial ideas about tempos and metronome marks were most likely to be tested.

So, after his fast speeds at some of the earlier recitals it was a surprise to encounter nothing especially out of the ordinary here. The "Hammerklavier" is the *locus classicus* of unlikely metronome markings in Beethoven's work and if Pollini was going to shock us by following them, this was the time to do it. Instead, he took a sensible middle route, the music driven headlong, but keeping it within playable bounds.

His cycle is presenting the sonatas in chronological order, so all the mighty late Beethoven is coming at the end. At this penultimate recital the "Hammerklavier" was preceded by the small, lyrical Op.90 and the much more intriguing Op.101. Both were disappointing. Pollini held to his purist line, playing down the drama inherent in the music to the point at which important events become almost matter-of-fact.

The technical differences may be minimal, but the impact on the music's character is enormous. For example, the motif which introduces the fugue in the last movement of Op.101: it can be dramatic, or violent, but here it was simply loud and short. Pollini gave away little of his feelings in these pianistically irreproachable performances.

Then, for the "Hammerklavier" he returned, after the interval, a changed man. From the opening chords this sonata burst into life. The rhythms were defined with extra bite; the pace was not just fast, it had real purpose and drive. Non-pianists may not realise how difficult it is to keep a semblance of order at speed in the part-writing in the outer movements of this work, but Pollini was phenomenally lucid: only an exceptional technician can achieve this kind of clarity and make it exciting.

The long Adagio was sculpted with classical perfection. This was the view from Mount Olympus: the light was dazzling, the skies were pure blue, the horizon far away, as the music stretched out into the distance, its calm surface unruffled by any disturbance or shadows lurking below. Other pianists may find more sentiment or variety, but Pollini is one of the Olympians, and is always true to himself. The last recital is on June 15.

Richard Fairman

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● The Philadelphia Orchestra: with conductor Wolfgang Sawallisch in works by Brahms, Schumann and Dvorák; May 25

■ BARCELONA

EXHIBITION
Fundació Joan Miró Tel: 34-3-3291908
● Flying Over Water. The Icarus Adventure: British film director Peter Greenaway approaches the universal theme of the human desire to fly with a large installation occupying the Foundation's entire exhibition space; to May 25

■ BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Berliner Symphoniker: with conductor Alun Francis and saxophonist Olga de Roos in works by Verdi, Leoncavallo and Tchaikovsky; May 25

■ BRUSSELS

EXHIBITION
Palais des Beaux-Arts Tel: 32-2-5078200
● De Kunst van het Verzamelen: exhibition of 20th century works of art from the collections of five Dutch museums; to May 25

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● La Bohème: by Puccini. Conducted by Klauspeter Seibel. Soloists include Birgit Fandrey, Eva Kirchner and Mario Carrara; May 23

■ COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art Tel: 45-49 19 07 19
● Men and Gods: exhibition featuring 200 objects of religious and mythological significance found during excavations in China over the last two decades; to May 25

■ ECHTERNACH

CONCERT
Festival International d'Echternach Tel: 352-728347
● Orchestre Philharmonique du Luxembourg: with conductor Paul Polivnick, marimba-player Emmanuel Séjourné and organist Carlo Hommel in works by Wagner, Liszt, Kerger and Saint-Saëns; May 25

■ EDINBURGH

EXHIBITION
National Gallery of Scotland Tel: 44-131-5568921
● Cassiano dal Pozzo's Paper Museum: assembled in Rome by the collector and connoisseur Cassiano dal Pozzo (1588-1657), this selection of drawings reflects his encyclopaedic range of interests; to Jun 8

■ FLORENCE

DANCE
Teatro Comunale de Firenze Tel: 39-55 211 1158
● Apollo & Daphne: choreographed by Karole Armitage to music by Handel, performed by the Compagnia di Ballo Maggio Danza. Part of the Maggio Musicale Fiorentino 1997; May 22

■ FRANKFURT

EXHIBITION
Städelsches Kunstinstitut Tel: 49-69-605098-115
● Pablo Picasso – Suite Vollard: display selected from Picasso's Suite Vollard, a series of 100 works produced in the early 1930s; to Jul 27

■ GLASGOW

POP MUSIC
Glasgow Royal Concert Hall Tel: 44-141-3326633
● Neil Sedaka: performance by the American rock singer; May 23, 24, 25

■ HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-346920
● Hamburger Symphoniker: with conductor Miguel Gómez-Martinez in works by Brahms and Strauss; May 25

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● MDR Sinfonieorchester: with conductor Stanislaw Skrowaczewski and violinist Waltraut Wächter in works by Barber, Bernstein, Skrowaczewski and Debussy; May 25, 26

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Takács Quartet: performance by the quartet, accompanied by contralto Catherine Wyn-Rogers, pianist Angela Cheng, viola-player Louise Williams and cellist Louise Hopkins. The programme features works by Brahms; May 23, 24, 25

EXHIBITION
Barbican Art Gallery Tel: 44-171-6384141
● Modern Art in Britain 1910-1914: sequel to the 1995 "Impressionism in Britain" exhibition, revealing the extraordinary range of modern European art exhibited in Britain during the years leading up to the First World War; to May 26
Queens Gallery Tel: 44-171-9304832
● Views of Windsor – Watercolours by Thomas and Paul Sandby: collection of works by the brothers Thomas and Paul Sandby, both important figures in the development of watercolour painting in England during the second half of the 18th century. The exhibition includes a number of Paul Sandby's best known views of Windsor Castle; to Jul 13

■ MADRID

EXHIBITION
Museo Nacional del Prado Tel: 34-1-3302800
● Catalan Medieval Painting: display of 15 sculptures and 34 paintings selected from a number of collections, including those of the Museu Nacional d'Art de Catalunya in Barcelona and the Musée du Louvre, Paris. The exhibition features Gothic works from the 14th and 15th centuries, including pieces by Bartolomé Rubio and Maestro Rubio; to Jun 8

OPERA
Teatro de la Zarzuela Tel: 34-1-5245400
● Die Zauberflöte: by Mozart. Conducted by Arnold Oestman. Soloists include Ana Rodrigo, Kurt Streit, Jaakko Ryhänen and Sebastian Holacek. Part of the 10th Festival Mozart de Madrid; May 25

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Indian Court Painting: 16th-19th Century. Exhibition of paintings tracing the various traditions of Indian painting over four centuries. The display is one of three at the Met marking the 50th anniversary of India's independence; to Jul 6

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Ensemble Intercontemporain: with conductor Hans Zender and tenor Kurt Azesberger in works by Schubert; May 24

EXHIBITION
Galeries Nationales du Grand Palais Tel: 33-1 44 13 17 17
● Angkor et Dix Siecles d'Art Khmer: exhibition of Cambodian art, including a number of stone, bronze and wooden sculptures. The exhibition draws mainly on the collections of the National Museum of Phnom-Penh and the National Museum of Asian Art in Guimet; to May 26

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Recital by pianist Murray Perahia; May 25

Listing selected and edited by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

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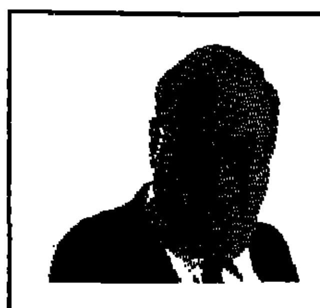
COMMENT & ANALYSIS



Economic Viewpoint · Samuel Brittan

A fallback plan for Emu

It is high time for EU governments to formulate some defensive strategy on how to proceed if there were some derailment of monetary union

The German plan to revalue the Bundesbank gold reserves and to put some of the revaluation gain into a "redemption fund for historic burdens" deserves a master prize for creative accounting. It is using asset revaluation as a substitute for revenue. It would be as if all the proceeds of nearly two decades of British privatisation were notionally used to reduce the public sector borrowing requirement for a couple of financial years.

The prevailing German slogan of achieving a 3 per cent budget deficit "and nothing more" is absurd, as it takes no account of the state of the business cycle and the disappointingly slow fall in unemployment. The use of one absurdity to beat another may be defensible if it is too late to rethink fundamentals. But even if the German government can get away with this cosmetic adjustment, the European Monetary Institute will be concerned with the sustainability of the budgetary postion.

Most difficult of all: how will the German government now be able to object to any use of creative accounting by Mediterranean countries to qualify for the first wave of European economic and monetary union in 1999? Yet many sections of German financial and political opinion that might just tolerate a small Emu confined to Germany and its immediate smaller neighbours, as well as France, would draw the line at a big Emu with Mediterranean countries as well.

Rather than rely on playing politics with doubtful numbers, the Bonn government would be well advised to tell the government in Rome privately and frankly that Emu will not happen at all if Italy insists on joining in 1999. On the other hand, it should revive the plan of German officials to provide Italy with a cast iron guarantee of entry a couple of years later if the country's stabilisation efforts continue on their present route. Such conversations may already have taken place for all I know – despite the preference of Mr Lamberto Dini, the Italian foreign minister, for deferring the whole project if difficulties arise.

Even if Italy can be squared, Spain and Portugal stand a good chance of achieving the Maastricht fiscal criteria without cosmetic devices. I do not know what would be more difficult: to sell the German public a semi-Mediterranean Emu without Italy, but including the Iberian peninsula; or to persuade Spain and Portugal to wait until they can come in with Italy. This is not to speak of many other hurdles, including the possibility of French socialists, who have cooled off towards Emu, cohabiting with President Jacques Chirac after the coming election.

Let us resist the temptation to say with Marx (Groucho not Karl): "I would not want to join a club which would have me as a member." If forced at gunpoint to make a guess, mine would still be that Emu will be launched some time in 1999. Nevertheless, present problems confirm the plea I have made in a booklet of collected essays for a fallback plan in case Emu does not take off by or soon after the chosen date*.

My main suggestion is that something could be learnt from the British example when sterling fell out of the exchange rate mechanism. In other words, countries should fall back on domestic inflation targets which might eventually be harmonised with European partners. Christopher Taylor, a former Bank of England official and Emu expert, has however suggested an institutional reinforcement**.

Taylor would like to revive the "hard Ecu" plan devised by Paul Richards of Samuel Montagu, which the UK government put forward officially in 1990-92 to run in parallel with existing currencies. It was rejected by other EU countries, with only Spain showing some sympathy. The plan at the time was so obviously used to paper over cracks among the British Conservatives, and also as an attempt to delay Emu itself, that the rejection was not surprising. But Taylor believes that, should an Emu crisis arise, a variant of it would be worth reviving.

The idea of the hard Ecu was to redefine the Ecu basket so that it was never devalued against the strongest European currency. That part of the proposal was more or less understood. But the most important innovation was an international institution which could create or destroy hard Ecus by its own transactions, just as all central banks now do with their domestic currency. This institution – which could now be the European Central Bank – would be able to ask the authorities of a devaluing country to redeem its holdings of its currency in hard Ecus. This would inflict a reserve loss and be some deterrent against devaluation.

The main point of the scheme, however, was that the hard Ecu would develop to the extent that the private sector wished as a parallel currency. The pace would not be forced by governments. The background to the hard Ecu was that most European countries were already in the old ERM, which had very narrow bands of fluctuation. But with the the new ERM, which has much wider margins of 15 per cent, something different would be required.

Taylor now suggests a guarantee of real purchasing power. What I find attractive about the idea is the ultimate guarantee in terms of real goods rather than just of one piece of paper against another.

A guarantee could be given in several ways:

- Purchasing power could be preserved against an average of existing consumer price indices.
- It could be preserved against a European price index devised directly by the Commission or the European Central Bank.
- Or (my suggestion, not Taylor's) it could be guaranteed against a defined basket of commodities.

Even in the last version, the hard Ecu would still be exchangeable only into national currencies – the commodity basket would simply determine the rate of exchange. But if the device were successful, a future reform might be the eventual physical convertibility into title deeds for the commodities themselves. In view of the bad long-term record of purely paper currencies, this could be an inviting prospect.

The idea of a parallel currency was not a British invention. If it were to be launched again, it would have to be done by a country whose Emu credentials were above suspicion – say Spain, which gave the hard Ecu some support.

Finally, we should be clear that any such currency would be very much a second best to proceeding with the euro scheme itself. If there were to be a euro shock, the first priority would be some understanding to prevent trade and currency warfare. The second would be to reinforce the national safeguards against inflation and deflation.

Third, some schemes for a parallel currency might save something from the wreckage. But it would be far better to proceed to Emu on the agreed timetable and allow the European Central Bank to work its own way through the inevitable teething troubles.

*Samuel Brittan, A Cool Look at the Euro, *The David Hume Institute, 21 George Square, Edinburgh EH8 9LD, £5.* **Christopher Taylor, A Common Currency Route to Emu, *National Institute of Economic and Social Research, 2 Dean Trent St, London SW1P 3HE, £4*

Emu expectations*

Market probabilities

	Current 1999	Current 2002	6 months ago 1999	6 months ago 2002
France	1.00	1.00	1.00	1.00
Belgium	1.00	1.00	1.00	1.00
Spain	0.82	0.85	0.69	0.71
Italy	0.65	0.75	0.59	0.65
UK	0.49	0.70	0.37	0.50
Portugal	0.82	0.86	0.70	0.74
Finland	0.80	0.80	0.77	0.77
Sweden	0.65	0.69	0.68	0.75
Ireland	0.64	0.70	0.88	1.00
Denmark	0.54	0.54	0.47	0.47

* The Emu Calculator is a J.P. Morgan estimate of the market's probability assessment of individual countries joining Germany in a monetary union in 1999 or any other date.

BOOK REVIEW · Patti Waldmeir

LOCKED IN THE CABINET, by Robert Reich
Alfred A. Knopf, $25, 338 pages

An outsider's view of the inside

Self-deprecating humour is not the strong suit of the American political classes. Many in Washington struggle to recognise wit, even when they stumble across a clear-cut case in daylight.

So a funny book by a politician about politics is something of an oxymoron. Perhaps that simply proves that Mr Robert Reich, the former labour secretary, was not cut out for US politics.

Under the circumstances, it is a wonder that he survived four years in Washington. Politically, Mr Reich was ill-suited to the times. Described by one Washington publication as "someone who believes in sucking the salaries of the successful to succour the system of the socialists", he was a moral warrior cast in a pit of pragmatists. In an administration restlessly searching for the "vital centre", he was an old Democrat in the land of new Democracy.

His "soak-the-rich politics" was an embarrassment to a president bent on occupying the electoral ground at the vital right-of-centre. But his economic moods were even more of an annoyance. Secretary Mr Reich constantly stressed the economic anxieties of the working class, voicing the feelbad factor at a time when feelgood was the only mood approved by the White House. His colleagues declared him to be out of sympathy with the psychology of the times.

Certainly, Mr Reich was out of sympathy with Washington. He describes the nation's capital as a "one-company town whose only subject is the company ... It's an echo chamber in which the identical conversation is repeated all day long, ricocheting this way and that way, bouncing off the walls of newsrooms and boardrooms, congressional lunchrooms and state dining rooms, living rooms and bedrooms, late into the night."

He provides not only a transcript of that conversation – what was said, in cabinet and salon, among the bright and powerful – but also a running translation. Secretary Reich decodes the dialogue to reveal an underlying, naked conversation about power – from which he usually emerges the loser.

The wit of the narrative does not mask his disappointment with President Bill Clinton. The word "betrayal" finds its way obliquely into the book near the end. It is an unspoken theme from the beginning.

Mr Reich fondly remembers his Oxford classmate: the hick from Arkansas who plied him with chicken soup and kindness on a rough Atlantic crossing. But he disapproves of the politics of the grown-up president, who tacks to left and right as the wind blows.

Implicitly, he endorses the conclusion of Mr Dick Morris, political consultant: that though Mr Clinton may seem unsteady in his politics, his will is unwavering. "He always knows his ultimate destination," said Mr Morris to Mr Reich. "Back to the White House."

Much of the narrative takes place there or, more precisely, in the car park between the White House and the Old Executive Office Building, the no-man's-land where Mr Reich lurked to ambush the truly powerful. The former labour secretary mocks his own attempts to get inside the invisible perimeters of power, what he calls "the loop". He draws a comic sketch of himself – "extremely short, bearded and long-nosed, like a terrorist from one of those backward countries" – loitering outside the executive loo or in the power car park.

He deflates not only his own importance, but also the notion of power in an administration run, in its early stages, by whim and chance encounter. And he captures the way in which the invisibly powerful buffeted the mind of the president. Mr Reich delivers an indictment of a politician who constantly adjusts ideals to fit ambition. In many ways, it is a naive indictment; but it is heartfelt.

Mr Reich captures the intensity of the White House obsession with balancing the federal budget, which he describes as the "singular goal of domestic policy". He tries to answer perhaps the most intriguing question of the last election: why did feelbad turn to feelgood, almost overnight? To hear Mr Reich tell it, the president single-handedly altered the mind of the nation through his rhetoric. His pollsters advised him to tell Americans they were feeling economically optimistic. He told them, and they obliged.

But moral indignation is not the book's strength. Much of it is a turgid treatise on class war, complete with fulmination against Mr Robert Rubin, the Treasury secretary, and Mr Alan Greenspan, the Federal Reserve governor, as puppets of Wall Street.

The best bits are the gags against Mr Reich himself: his sketch of the day he was ceremonially urine-tested for drug addiction; and the time when, challenged by union leaders to prove he was not an effete intellectual, he protested that he could wield a screwdriver as well as the next man – and pulled out a monkey-wrench to prove it.

This is an outsider's view from inside the cabinet – a valuable vantage point.

Locked in the Cabinet *is available from FT Bookshop, FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Greenpeace shows ambivalence to dinosaur-era technology

From Mr Mark Cantley.

Sir, You report ("Greenpeace push to stop new oil searches", May 16) the enthusiasm of the Greenpeace International executive director, Mr Thilo Bode, for environmentally friendly technologies, and his intention to tell the Chinese that western companies are selling them dinosaur-era technology.

The need for a shift towards sustainable technology is unquestionable in many fields. Rachel Carson's *Silent Spring* (1962), focused on pest control, noted that "A truly extraordinary variety of alternatives to the chemical control of insects is available. Some are already in use and have achieved brilliant success. Others are in the stage of laboratory testing. Still others are little more than ideas in the minds of imaginative scientists, waiting for the opportunity to put them to the test. All have this in common: they are biological solutions, based on understanding of the living organisms they seek to control, and of the whole fabric of life to which these organisms belong. Specialists representing various areas of the vast field of biology are contributing – entomologists, pathologists, geneticists, physiologists, biochemists, ecologists – all pouring their knowledge and their creative inspirations into the formation of a new science of biotic controls".

This reads like a far-sighted description of the subtle approaches now being applied through modern biotechnology in agriculture, building selective pest resistance into the plant by precision genetic modification. Unfortunately, and ironically, in several countries we find Greenpeace is leading campaigns to stay with the "dinosaur-era" technologies, and fighting against the use of molecular biology to design more acceptable ways of feeding 10bn people without screwing up the planet. Mr Bode should persuade his colleagues to favour scientific integrity over cinematic opportunism – or listen to the Chinese, who are well ahead in such applications.

Mark Cantley,
131 rue Verbist,
B-1030 Brussels,
Belgium

Shunned by industry

From Mr Derek Wiles.

Sir, It was with great interest that I read the letter headed "UK must demonstrate its commitment to Europe" (March 11) and signed by 23 top executives of British industry. In it the writers state "... we cannot expect our proposals and our criticisms to be taken seriously if we refuse to acknowledge the enormous benefits which we have already gained by being part of Europe ... We need to demonstrate that the UK's continued commitment to Europe is not in doubt."

At present my school is trying to develop language college status, a government innovation where schools raise sponsorship which is then matched by the Department for Education and Employment, in order to enhance the teaching of European foreign languages and to improve European awareness and commitment throughout the curriculum.

I have written to each signatory of the above-mentioned letter explaining our philosophy and requesting assistance in what should be a shared ideal. Not one of those who has responded has been willing to offer any assistance.

If this is a practical demonstration of British industry's commitment to Europe, it is little wonder that the UK remains on the fringes of the economic powerhouse that Europe is rapidly becoming.

Derek Wiles,
deputy head,
The Piggott School,
Twyford Road,
Wargrave,
Berkshire RG10 8DS, UK

Assumption on yields bit of a lemon

From Mr Mark Brown.

Sir, In his attempt to rationalise current US equity valuations, Barry Riley compares apples and oranges and comes up with a lemon ("Relationship problems for inflation protected bonds", May 14). A yield on US equities of 2 percentage points less than US index-linked bonds is justified by assuming that the equity risk premium is only ½ per cent. This is radical indeed as the conventional view is to assume a risk premium in line with the historic actual (ex-post) outperformance of equities which is around 6-8 per cent per annum over most long-run periods. Convention is clearly wrong and has not caught up with the move to low inflation, but assuming virtually no premium seems equally misleading (is there no such thing as risk any more?).

A better way to rationalise the relationship between US equity and bond yields is to recognise that US companies currently pay out 22 per cent less of their earnings in the form of dividends than has been the case historically. This reflects the move to other forms of rewarding shareholders, particularly share buy-backs. The effective yield on US equities is, therefore, higher than appears and they are held partly in anticipation of the continuation of these "extra" rewards. Alternatively, if the pay-out ratio in the US were to return to its historic norm, dividend growth would be 2 per cent per annum higher for the next 10 years than the "normalised" figure used by Mr Riley. This would suggest that the equity risk premium is of the order of at least 2 per cent. While this is low historically it still suggests a modicum of realism on the part of investors.

The situation in the UK could not be more different: the pay-out ratio is 15 per cent above its historic average. Does the yield relationship in the US really "provide an alternative vision of the future" in the UK?

Mark Brown,
head of research,
Hoare Govett Securities,
4 Broadgate,
London EC2M 7LE, UK

Single regulator will enhance City of London's position

From Mr Sanjay Dighe.

Sir, Once again this new government has provided the City with a pleasant surprise ("Bank of England to lose role as banking supervisor", May 21). London's pre-eminent position has been threatened by the multiplicity of regulatory organisations and the lack of an overall body to co-ordinate their activities. The record of the Bank of England has also been patchy at best. This move recognises that the old clear-cut distinctions between financial institutions no longer exist.

A single regulatory body with sweeping powers and a wider body of knowledge to draw on will reinforce London's position as Europe's financial centre. It will add authority as the government works to stop the EU from rigging the rules in order to reduce London's market share in European finance after Emu.

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FINANCIAL TIMES
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Grim choice for France

This Sunday's French election has come sooner than expected, and arguably too soon to be much fun. The voters have to choose between two teams, both of which they have recently seen at work, and neither of which they find at all inspiring.

This contrasts with Britain's experience three weeks ago. The Labour party, after all, had been out of office so long, and had transformed itself so thoroughly, that the sight of it in power is novel and interesting. One could not say the same of the French Socialist party (PS). It has been out of government only four years, and out of the presidency only two. In so far as it has changed, it has done so in the direction parties often do after losing office. Before realising that they need to learn from their opponents and reconquer the centre, they try to reconnect with grassroots supporters who feel betrayed by the grubby compromises of power. That may make party activists feel better, but seldom does much to win the next election.

The PS has gone only a little way down that blind alley, but probably far enough to ensure that President Jacques Chirac does get a new mandate for his supporters in parliament, albeit with a much reduced majority. Yet the result looks likely to be uncomfortably close. Voters may not be convinced by Mr Lionel Jospin, the Socialist leader, but nor are they in a hurry to forgive Mr Chirac and his prime minister, Mr Alain Juppé, for the broken promises and disappointing economic performance of the past two years. Many seem likely to cast a first-round protest vote for Mr Jean-Marie Le Pen's National Front, prolonging the suspense until the second round on Sunday week.

Mr Chirac is reaping the fruits of his 1995 presidential campaign, when the need to compete with Mr Edouard Balladur, then prime minister, obliged him to run as an opposition candidate, promising a radically new and different approach. In fact he has kept the same policies, which is not really surprising since Mr Balladur is a member of his party, indeed his former lieutenant, and was applying a set of policies they had worked out and campaigned on together. It would be ironic indeed if, as some rumours suggest, Mr Chirac were to sack Mr Juppé after the election and reinstate Mr Balladur as prime minister.

France is suffering from high unemployment and very slow growth. These symptoms are aggravated by the deflationary effect of the fiscal rigour required to meet the Maastricht criteria for the single currency. A Jospin government would not intentionally abandon this effort, but would probably be less single-minded in pursuing it than Mr Juppé has been.

The structural cause of France's economic woes, however, is a still over-regulated labour market weighed down with social charges, making it risky and unprofitable for entrepreneurs to create jobs. Neither left nor right is really offering to tackle this problem, but there must be a slightly better chance that a rightwing government would do so, especially one that included Mr Alain Madelin.

So liberal and European-minded voters have two reasons to re-elect the governing majority, even if without exaggerated hopes.

Septic shock

The stock market yesterday savaged Celltech, the oldest UK biotechnology company, for the unexpected failure of its leading drug in the final phase of clinical trials. Celltech's own share price was almost halved and the whole UK biotech sector fell in its wake.

Some previous biotech disappointments have been attributable partly to excessive hype and over-enthusiastic promotion of dubious research by companies and their PR advisers. Such accusations cannot be made of Celltech and BAYX-1351, its failed treatment for septic shock.

Celltech is the most cautious UK biotechnology company. Its development partner for BAYX-1351 was Bayer, the conservative German pharmaceutical group. Both companies made a huge effort to develop the drug thoroughly, and they did nothing to encourage excessive expectations. If investors cannot blame hype this time, they may have to learn a more fundamental lesson: that biotechnology is an even riskier enterprise than they have appreciated.

In particular, investors must realise that the risk of failure in the final phase of clinical testing – what the industry calls Phase III trials – is much higher for biotech products than for the chemistry-based drugs developed by traditional pharmaceutical companies. Something similar happened earlier this month to Autoimmune, a US biotech company, whose share price fell by 70 per cent when its multiple sclerosis treatment showed no benefit to patients in Phase III trials.

The reasons for the vulnerability of biotechnology to Phase III disappointment are still poorly understood even by specialists. They have something to do with the complexity of biological products and processes.

For example BAYX-1351 is designed to prevent the complicated cascade of biological events that lead to septic shock – a condition that may follow systemic blood poisoning. Perhaps septic shock has too many contributory factors for it to be susceptible to treatment by intervening at one point in the cascade. Certainly, it is harder to design a clinical trial for septic shock drugs than for most other diseases. But the industry will go on trying; it cannot ignore a condition that kills more than 100,000 people a year. The financial rewards for the company that succeeds will far outweigh the money spent on failed attempts so far.

Inching ahead

Even by Washington standards, reform of the 1933 Glass-Steagall Act governing US banks has been a long time coming. Three times in the past 10 years, Congress has been on the brink of bringing the legislation into line with reality by repealing the provision separating commercial and investment banking in the US. Three times it has lost its nerve.

Mr Robert Rubin, Treasury secretary, does not want to make it a fourth time. Earlier this year it had looked as though the administration was hoping not merely to repeal the Glass-Steagall ban but to start breaking down the more general barriers separating the banking sector from the world of commerce. But the new administration reform proposals outlined yesterday by Mr Rubin have no such grand ambitions.

The proposals suggest that the administration has resigned itself to two facts of life. The first is the reality of modern-day banking. A series of recent regulatory decisions has eroded the Glass-Steagall ban so far as to make it almost inoperative. In effect, the new legislation would simply extend to all banks operating in the US the same freedom to stray into securities, insurance and other services, which Mr Eugune Ludwig, comptroller of the currency, granted national banks last November.

The Federal Reserve has since decided to loosen its own restrictions on foreign and domestic banks getting into these areas, subject to a restriction that the new business represents only a small share of the companies' revenues. Presumably Mr Rubin foresees this restriction being lifted.

The second reality is that Congress, though broadly united over Glass-Steagall reform, was unlikely to pass any very radical regulatory shake-up: particularly given the Federal Reserve's own penchant for gradualist reform.

Even this modest step towards updating the system would be considerably better than nothing at all. But in working with legislators, the administration must at least ensure that the reform fills the big gap in the ad hoc approach favoured by the Federal Reserve: the lack of a clear regulatory framework incorporating rules on firewalls between businesses and investor protection. Without this, pragmatic or not, those who have been urging Mr Rubin to act will wonder why he bothered.

Storm over the Atlantic

The challenge by the EU competition commissioner to Boeing's merger plans may spark a row with the US, says **Guy de Jonquières**

Apart from a fondness for scarlet socks, nothing marks out Mr Karel Van Miert, the European Union's competition commissioner, as an audacious risk-taker. But by taking aim at the proposed merger of Boeing and McDonnell Douglas of the US, the affable Belgian socialist has embarked on what looks like a daunting political gamble.

Mr Van Miert's apparent determination to challenge the deal, worth \$13.3bn (£8.2bn) when announced in December, has triggered a bitter transatlantic war of words. The two aerospace companies have accused him of exceeding his authority and showing bias, while a group of US senators has told President Bill Clinton that Mr Van Miert is prejudging the case.

The commissioner's tactics are also stretching nerves in Brussels. He announced an investigation into the deal before his advisers were certain it came under EU merger regulations, and has since openly paraded his concerns about it in the US and Europe. "He is skating on pretty thin ice by talking tough before the investigation has been completed," says an EU official.

Mr Van Miert is standing his ground. He insists that EU law requires him to vet the merger and entitles Brussels to block it if found anti-competitive. If the companies ignored a veto, the Commission could declare the merged group illegal, place restrictions on its business in Europe and fine it up to 10 per cent of its estimated \$48bn annual turnover.

Boeing has said EU prohibition of the merger could provoke a trade war. Many European diplomats privately agree. Says one: "The fall-out could make the recent EU-US dispute over the Helms-Burton anti-Cuba law look like a sideshow."

The commercial stakes involved are vast. The merger would consolidate Boeing's leadership of the world civil aircraft market, leaving Europe's four-nation Airbus consortium as its sole rival. The deal would also create a powerful US defence group, likely to compete fiercely with European companies for international business.

Many industry observers think Mr Van Miert's hard line is intended to bluff or bully Boeing and McDonnell into making concessions. Since the Commission acquired authority in 1990 to vet all big mergers which could affect EU-wide competition, it has rarely vetoed deals. Instead it has preferred to persuade companies to modify their terms by, for example, divesting businesses.

Until now, close consultation has prevented clashes between US and EU anti-trust policies. Under a 1991 agreement, the two sides have co-operated in investigating mergers, exchanging information and ensuring that their rulings are compatible.

But the Boeing-McDonnell case breaks with precedent in two ways. First, many of Mr Van Miert's reservations focus at least as much on the companies' activities in the US, and other world markets, as in the EU. It is unclear whether Washington shares his concerns.

Second, the Commission's ability to apply pressure to the companies by demanding changes in their EU operations is limited, because these consist of little more than sales and support offices.

The Federal Trade Commission, the US agency examining the merger, has not indicated how or when it will rule. But many US industry observers doubt the agency will raise any serious objections. They expect its verdict by or before the late July deadline for the European Commission's decision.

If the US approves the deal, but the European Commission vetoes it, the stand-off could turn into a political trial of strength. "That is the ultimate nightmare scenario," says an EU official.

The impartiality of both anti-trust watchdogs has been questioned by sceptics on the opposite side of the Atlantic. They fear decisions will be more influenced by industrial policy priorities than by competition criteria.

There are suspicions in Brussels that US anti-trust enforcers share some EU reservations about the deal, but will be unable to resist heavy political pressure to approve it. Mr William Baer, head of the FTC's competition bureau, declined to comment on the case, but said the agency was under no such pressure.

US critics accuse Mr Van Miert of being less concerned with keeping the world market open than with promoting the commercial interests of Airbus. They also suspect his investigation is linked to a recent EU proposal – rejected by the US – to reopen negotiations on a 1992 bilateral agreement curbing civil aircraft subsidies.

What lies behind the EU proposal is unclear. Some observers in Washington believe it is motivated by demands from Airbus for government funding to help it develop a super-jumbo to compete with Boeing's 747. Others think the EU is seeking tighter disciplines to prevent Boeing-McDonnell using defence contracts to subsidise civil aircraft.

Brussels denies the proposal is connected with the Boeing-McDonnell deal, which it says will be judged strictly on the basis of EU competition rules.

Mr Van Miert has yet to specify formally his objections to the merger, which he is setting out this week in a confidential memorandum to Boeing and McDonnell. Once the companies respond, he will start drawing up his decision.

EU officials say their investigation covers a broad set of issues. They include the commercial power of the merged group, Boeing's sales and purchasing practices and the relationship between the two companies' civil and military businesses.

Mr Van Miert is worried that Boeing-McDonnell, with two-thirds of the world market for passenger aircraft and 95 per cent of freight transport sales, could dictate terms to airline customers and blunt competition from Airbus.

His anxieties appear to mirror those of the Airbus consortium. Mr Jean Pierson, its head, warned the FTC this month that the merger could give Boeing-McDonnell a "structural hold" on the industry, spanning the supply of aircraft, servicing, spare parts and even air traffic control systems.

Some industry observers think these fears are exaggerated. They point out that McDonnell has only 3 per cent of the world civil aircraft market and rarely competes directly with Boeing or Airbus. Without the merger, they say, McDonnell's future in the business would be in serious doubt.

Mr Van Miert has raised two other objections, also shared by Airbus. One is that Boeing's policy of negotiating 20-year sole-supplier contracts with airlines is anti-competitive. He has said these arrangements, concluded so far with American Airlines and Delta of the US, would make the merger difficult to approve.

He also argues that Boeing and McDonnell together account for 84 per cent of passenger aircraft in service worldwide, and is worried that airlines would be dependent on the merged group for servicing and spare parts.

Yet Mr Van Miert's strictures about producer dominance in aerospace sit oddly with his enthusiasm for the 1994 merger of the landing gear businesses of TI of Britain and Snecma of France. He blessed that merger, with Airbus's approval, even though it made the group the consortium's exclusive supplier. He even praised the deal as "a reinforcement of the competitiveness of the European industry".

Furthermore, leading airlines seem untroubled by the Boeing-McDonnell merger plan. British Airways, which has never bought Airbuses, does not expect it to lead to higher prices. Lufthansa of Germany, a customer of Boeing and Airbus, is confident the two suppliers will continue to compete.

American Airlines, which operates 260 McDonnell Douglas MD-80 aircraft, welcomes the merger because Boeing would continue to service them. American had been worried that it might not be able to obtain spare parts if McDonnell went out of business.

What weight Mr Van Miert is giving to the airlines' views is not known. However, his unusually critical public statements about the merger seem to leave him little room to back down without suffering a serious blow to his – and the Commission's – authority.

His best hope for scoring a victory appears to lie in getting Boeing and McDonnell to modify the deal, or in convincing US authorities to take a tough line towards it. It may not be clear for several more weeks whether either option is likely to succeed.

Some competition policy experts believe high-level political negotiations with the US may be needed to avert a confrontation. There are suggestions that the issue may be raised by Mr Clinton and Mr Jacques Santer, the Commission president, when they meet in The Hague next week.

But whether a compromise could be worked out, and what shape it might take, is highly uncertain. "Just where this affair will end up is impossible to say," says an EU official. "The outlook is very murky."

Additional reporting by Bruce Clark in Washington, Michael Skapinker in London and Emma Tucker in Brussels

· OBSERVER ·

Exchange of views

■ New York New York, the hotel and casino complex which is one of Las Vegas's newest themed resorts, has incurred the wrath of the august New York Stock Exchange.

The resort's gambling tables nestle among replicas of Big Apple landmarks: the Statue of Liberty, the Empire State Building and the stately pillared facade of the NYSE's building which dominates Wall Street. In case anyone misses the resemblance, a sign above the one-armed bandits invites punters to enter the "New York Slot Exchange".

Unamused, the NYSE has slapped a trademark infringement lawsuit on the casino charging it with "bastardising" its trademarks – the building as well as the name – and making the exchange "the subject of ridicule". The suit, filed in New York federal court, is designed "to protect our marks," explains NYSE spokesman Ray Pellecchia. "The use of our marks and name suggests our sponsorship or licensing of this business and that's an incorrect and inappropriate assumption. It's confusing to people."

MGM Grand, the hotel and casino operator which has a big slice of the New York New York resort and is listed on the NYSE, declined to comment on the suit against the casino, but the exchange will doubtless be relieved to know that it won't be considering a change of listing as a result.

Flying Dutchman

■ Pieter Bouw has evidently been feeling the seven-year itch. In August he climbs out of the pilot's seat at KLM which he has occupied since the beginning of 1991, saying that is long enough for anyone. At 55, he will have been with the Dutch flag carrier just four weeks short of 30 years.

So what next for the trucker's son for whom transport has been a ruling passion? He still has non-executive roles at organisations including the state railways, and says he won't seek a similar position on the supervisory board of the privatised airline. Changes to the Dutch corporate governance code are anyway discouraging the traditional packing of such notionally independent bodies with worthies who have served their time in the company's management.

Instead he spoke yesterday of offering himself as a "personal counsellor" to executives. "People at the top of companies often want someone to talk to," he maintains – about themselves, rather than their latest strategic onslaught.

But it's KLM itself that's looking lonely right now. It is locked in a loveless long-distance partnership with Northwest Airlines of the US, which wants to remain at most kissing cousins, and has had no success in finding an enduring relationship closer to home as European airlines pile into bed with one another.

Barbie's cue

■ Barbie has found a new friend. The ubiquitous multiskilled doll produced by Mattel has teamed up with "Share a Smile Becky" who, in an attempt to reflect the diversity of American society, is in a pink wheelchair. Mattel says Becky is designed to appeal to "differently abled" children and encourage their inclusion in play: all children should have toys they can identify with, it said at yesterday's launch.

Becky arrives on the shelves as disabled rights activists celebrate pushing the Clinton administration into adding a wheelchair to the memorial for former president Franklin Delano Roosevelt, who always refused to be photographed in his wheelchair.

Becky will help disabled children "move from dependency to the American dream" says disability campaigner Paul Hearne. "While the Congress is debating the FDR statue, free enterprise is taking the lead with the creation of Becky."

Taxing times

■ Thais looking for somewhere to escape the tensions caused by their country's economic crisis will have to pay a bit more for their diversions. Tax increases passed by the Thai cabinet yesterday included higher rates for the country's racetracks and massage parlours, the latter famous for more than just health treatments.

On top of its own tax hike, the "massage" industry will have its costs boosted indirectly by special tax increases on crystal chandeliers and marble, without which the entrance to no self-respecting parlour is complete. The female staff may raise also find their cost base under pressure, as taxes on perfume are going up too.

Pom deter

■ It's official: Australians can call the British "poms". The country's Human Rights and Equal Opportunity Commission has ruled that it's unlikely to offend, insult, humiliate or intimidate. So maybe the Aussies will stop using it.

The Financial Times

100 years ago

An Improbable Canal
Our Consul at Riga devotes a considerable proportion of his report to the pastime of bubble-pricking. One of the most important of these bubbles is the Baltic and Black Sea Canal. Consul Woodhouse points out that all the reports are devoid of foundation. What is really happening is that the channels of the Dwina and Dneiper are being improved, and that the connections of those rivers are being deepened. But as for cutting a canal from end to end for vessels of any size, the action seems as non-existent as the dodo.

50 years ago

U.S. May Cut Tyre Output
It is becoming increasingly evident that the reason for the decline in the rubber price in New York is the realisation that the tyre industry has already more than satisfied the backed-up demand for tyres and that dealers are becoming over-supplied with these goods, which are estimated to use about two-thirds of all rubber consumed in the U.S. Mr. Herbert E. Smith, president of the United States Rubber Company, said: "The tyre shortage is definitely over."

FINANCIAL TIMES
Thursday May 22 1997

Mercedes joins the other big brands in Jurassic parking lot

Christopher Parkes in Los Angeles enjoys the commercials in The Lost World, where Tyrannosaurus wrecks a star car

Even if The Lost World fails to break the $916m world box office record of its ancestor Jurassic Park, it should play well in Tuscaloosa, Alabama.

Steven Spielberg's latest film – a $75m blend of cinematic DNA from Jaws, King Kong, Thomas the Tank Engine and Jurassic Park – can count on a successful run in the city's cinemas because one of its stars enjoys local hero status.

It's the new Mercedes M-Class sports utility, which is to be unveiled to the world this week, before its US launch later this year, and it is being built in Tuscaloosa at the company's first non-German car manufacturing base.

Supporting role in a film blockbuster: the new Mercedes M-Class sports utility, which is launched tomorrow

The Mercedes is one of a clutch of high-profile brand names appearing in The Lost World.

The latest Nikon camera and a JVC video recorder are prominent, and even an unfurled Financial Times can be seen fleetingly in a less robust cameo role – satisfyingly associated with a bottle of Perrier Jouet champagne.

It's all part of the so-called product placement business. The idea is that a product seen in the company of a star or taking an active role in a successful film – as the little Mercedes does in a decidedly unequal struggle with The Lost World's angry Tyrannosaurus family – gains enhanced customer appeal.

The promotional benefits for products "placed" in or associated with popular films have traditionally been most readily appreciated by mass-market consumer companies.

But the prime targets this time are the male cinemagoers who are expected to take along families and friends to admire all the toys for boys, and especially the M-class.

Mercedes, in its first such venture into Hollywood, is hoping for an effect on the M-Class similar to that gained by BMW – which credited an appearance of its US-built Z3 in Goldeneye, the latest James Bond film, with getting the roadster's launch off the mark at speed.

This week it is also expected to unveil an advertising campaign for the vehicle based on its screen role, which will promote both the car and the film.

Such cross-promotional efforts – Apple Computer's PowerBook last year shared screen-time and magazine advertising spreads with Tom Cruise in Mission: Impossible - are increasingly the norm.

Mercedes, which is paying an undisclosed sum for its placement, is counting on building substantial market awareness for a $40,000 plaything, which, it calculates, must succeed in the US – the world's biggest outlet for such vehicles – if it is to find a place on the world's roads.

The company, which declared in the early 1990s that high domestic production costs outweighed the cachet of the "Made in Germany" label, has gambled heavily on breaking late into the US sports utility trade, which currently sells more than 2m vehicles a year.

Its $300m investment in the Tuscaloosa factory has already provided 650 highly-paid local jobs and drawn 10 component manufacturers to the city, bringing work for 1,200 more.

It has also given the citizens of Stuttgart, Daimler-Benz's base, an extra reason to queue up to see The Lost World.

Hammer exposé wins book prize

Adam Smith's Wealth of Nations is recognised as historic influence

By Peter Martin in London

A book describing one of the world's best-known businessmen as a spy and a fraudster is the winner of the Financial Times/Booz-Allen & Hamilton Global Business Book Awards.

The overall winner of this year's awards, announced yesterday in New York, is *Dossier: The Secret History of Armand Hammer* by Edward J. Epstein (published by Random House). It is also the winner of the award for Best Business Biography/Autobiography.

The winner of the award for Best Book about Strategy is *The Witch Doctors*, by John Micklethwait and Adrian Wooldridge (Heinemann) in which two journalists from The Economist examine current management theories.

The Best Business How-To Book is *Designing Business*, by Clement Mok (Macmillan Computer Publishing), which offers thoughts on design for the multimedia world.

In the category for books of industry analysis and business context, the winner is *Vele verso la Cina* by Maria Weber (Edizioni Olivares). This Italian book offers a guide to doing business in China.

The Best Current Business Narrative is *Hit & Run* by Nancy Griffin and Kim Masters (Simon & Schuster). Subtitled *How John Peters and Peter Guber took Sony for a Ride in Hollywood*, this book covers the Japanese company's painful purchase of Columbia Pictures. The judges were chaired by Mr Don Perkins, former chairman and chief executive of Jewel Companies. For the first time, they awarded the Judges Prize to a book which had a historic influence on business. It went to *The Wealth of Nations*, by Adam Smith, first published in 1776.

The Edwin G. Booz prize, given by Booz-Allen & Hamilton to the most innovative or insightful business book of the year, was awarded to *Against the Gods: The Remarkable Story of Risk* by Peter Bernstein (John Wiley & Sons).

The Lex prize, given by the Financial Times to the best business history, was awarded to *Ashes to Ashes* by Richard Kluger (Alfred A. Knopf), a history of the tobacco industry.

Other judges were: Mr John Baker, chairman, National Power; Mr Antonio Borges, dean, Insead; Mr Kazuo Chiba, former Japanese ambassador to the UK; Mr Brian Dickie, president and chief operating officer, Booz-Allen & Hamilton; Mr David Finn, chief executive, Ruder Finn; Mr Piero Giarda, undersecretary, ministry of the Treasury, Italy; Mr Richard Lambert, editor, Financial Times; Mr Francis Lorentz, professor, Paris-Dauphine University; Mr John McCarter, president and chief executive, the Field Museum of Natural History; Mr Rafael Paez, former chief executive, Grupo ALFA.

Brazil to retire Brady bonds

Continued from Page 1

cent to more than 66 per cent of their face value in New York morning trading. J.P. Morgan's emerging market bond index also rallied with average yield spreads narrowing by about a quarter of a point to 4.19 percentage points over US Treasury bonds.

Brazil's 30-year global offering – its longest bond maturity to date – will be underwritten by J.P. Morgan and Goldman Sachs. Traders say the transaction could reach as much as $5bn depending on investor interest and will give a fillip to Brazil's status in the conventional market for Eurobonds.

"Brazil has been talking about this move for at least a year," said Mr Jerome Booth, director at ANZ Bank in London. "The whole exercise is designed to boost Brazil's creditworthiness with the international financial community."

Traders said the timing of Brazil's announcement was probably influenced by the US Federal Reserve's decision at its meeting on Tuesday to leave US interest rates unchanged.

Russia

Continued from Page 1

tax, and improving excise collection on alcohol sales. The government can also cut spending as it deems necessary, even if parliament votes down its sequestration bill tomorrow.

In practice, parliament has little power to force the government to stick to its budget plans.

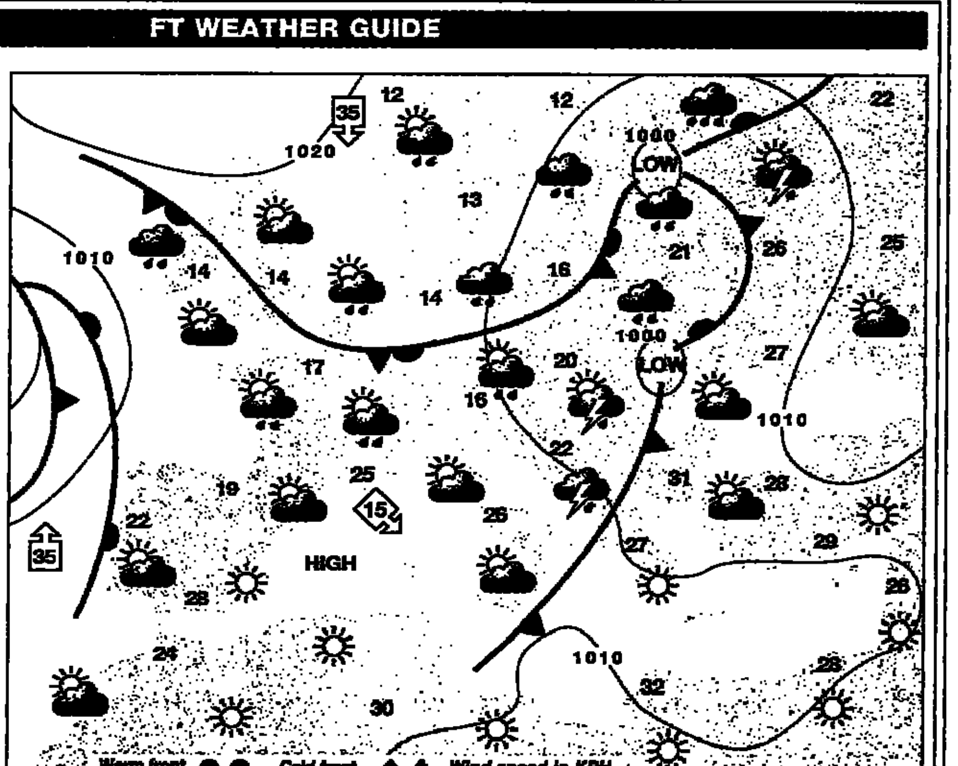
FT WEATHER GUIDE

Europe today

It will remain cloudy with rainy periods in Ireland, Wales and Germany. The band of cloud and rain will stretch east into Poland, the Baltic states and the Ukraine. Showers will also develop in and around the Alps. Thunderstorms are expected in Hungary, the Balkans and southern Italy. This disturbance will bring scattered cloud to parts of south-eastern Europe, but it will remain dry and warm. Western Benelux and western France will become sunny, although showers will develop inland. The Iberian peninsula and Italy will stay dry with sunny periods.

Five-day forecast

High pressure will develop over north-western Europe bringing sun to the UK, the Benelux and Germany. Showers will continue in Poland and the Alpine countries. South-east Europe will have thundery showers at the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius												
		Beijing	sun 28	Caracas	fair 31	Faro	fair 22	Madrid	sun 26	Rangoon	shower 33		
		Belfast	rain 13	Cardiff	rain 14	Frankfurt	rain 18	Majorca	fair 24	Reykjavik	cloudy 9		
Abu Dhabi	sun 40	Belgrade	shower 21	Casablanca	sun 22	Geneva	shower 18	Malta	sun 24	Rio	fair 27		
Accra	thund 31	Berlin	rain 15	Chicago	fair 19	Gibraltar	sun 25	Manchester	shower 14	Rome	sun 25		
Algiers	sun 24	Bermuda	fair 25	Cologne	rain 15	Glasgow	fair 13	Manila	thund 35	S. Frsco	fair 20		
Amsterdam	shower 13	Bogota	thund 18	Dakar	fair 27	Hamburg	shower 14	Melbourne	rain 16	Seoul	fair 22		
Athens	sun 28	Bombay	fair 33	Dallas	shower 29	Helsinki	fair 12	Mexico City	fair 27	Singapore	fair 33		
Atlanta	fair 27	Brussels	shower 14	Delhi	sun 39	Hong Kong	cloudy 30	Miami	shower 31	Stockholm	fair 12		
B. Aires	shower 11	Budapest	thund 20	Dubai	sun 36	Honolulu	fair 30	Milan	fair 21	Strasbourg	rain 19		
B.ham	shower 15	C.hagen	fair 11	Dublin	rain 14	Istanbul	fair 28	Montreal	shower 12	Sydney	shower 18		
Bangkok	thund 35	Cairo	sun 32	Dubrovnik	thund 23	Jakarta	fair 32	Moscow	shower 17	Tangier	sun 22		
Barcelona	fair 21	Cape Town	fair 20	Edinburgh	fair 11	Jersey	shower 13	Munich	shower 20	Tel Aviv	fair 28		
						Karachi	fair 37	Nairobi	fair 25	Tokyo	shower 19		
						Kuwait	sun 40	Naples	sun 23	Toronto	fair 13		
						L. Angeles	sun 23	Nassau	fair 31	Vancouver	shower 18		
						Las Palmas	fair 24	New York	fair 18	Venice	fair 21		
						Lima	fair 26	Nice	sun 23	Vienna	shower 20		
						Lisbon	cloudy 21	Nicosia	fair 30	Warsaw	shower 16		
						London	shower 16	Oslo	shower 10	Washington	sun 20		
						Lux.bourg	shower 16	Paris	shower 17	Wellington	drzzl 14		
						Lyon	shower 18	Perth	fair 21	Winnipeg	shower 15		
						Madeira	fair 22	Prague	shower 16	Zurich	shower 15		

THE LEX COLUMN

Chemical attraction

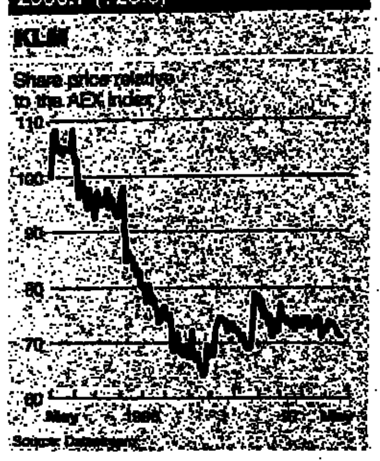
A cash-rich utility on the acquisition trail is normally a recipe for trouble. In the case of Veba, the diversified German power and industrial group, this would be too harsh a verdict. Shareholders have benefited handsomely from the company's restructuring and cost-cutting efforts. Still, the 36 per cent stake it has taken in Degussa inevitably introduces a *frisson* of concern. The company has now entered the riskier phase of acquisitions and international expansion.

Certainly, the 36 per cent stake in Degussa is a good start. Restructuring in the global speciality chemicals business is proceeding apace and the tie-up gives both companies a better chance of dining at the top table. It also helps internationalise Veba's earnings, while reducing the cyclicality of its own chemicals division. The price of 16 times 1998 estimated earnings is slightly above average, though product and management fit probably justify the premium.

But what next? The danger is that acquisitions without disposals will produce a lumbering conglomerate. Veba has shown it can mind the shop, but has yet to convince that it knows how to build the business. Applauding a chemicals acquisition is easy – it is the area where Veba has achieved considerable success. But investors may be less enthusiastic about acquisitions in oil or trading and transport. To allay their fears, Veba's management should insist that peripheral Degussa businesses like metals trading and pharmaceuticals are swiftly got rid of.

KLM

FTSE Eurotrack 200: 2380.7 (+23.6)



There may be good reasons to greet the appointment of a new chief executive at KLM, but no-one should lose sight of the daunting problems he has to confront. Consider yesterday's gruesome results – over which the new man has, after all, presided as chief operating officer. A collapse in operating margins from 4.7 per cent last year to 0.9 per cent is drastic by any standard. There are, to be fair, some reassuring signs that KLM's capacity splurge is being reined in. And fuel prices have helpfully fallen back. But a fundamental cost problem remains: when unit costs grow at 9 per cent and unit revenues by just 4 per cent, it is hardly surprising profits are under such pressure.

Hence the new chief executive's first big task – to close that painful gap. And there is energetic restructuring under way. The snag, inevitably, is that KLM's competitors are all doing much the same. So much of the time, KLM will just be running hard to stand still.

But just as tricky will be to find the airline a better fit in the industry's fast-forming web of international alliances. There are high hopes that the new chief executive will prove better placed, personality-wise, to get KLM's existing alliance with Northwest Airlines back on the rails. But even if he succeeds, a KLM-Northwest partnership lacks the clout of the networks some of their rivals are cooking up. And the list of potential add-on partners is shrinking fast.

Celltech

New drugs are destined to fail – of 10 products that go into clinical trials perhaps one makes it to the market. The whole point about the biotechnology industry is that it takes huge risks in pursuit of that tremendous pay-off. The failure of Celltech's septic shock treatment is therefore nothing out of the ordinary. But that did not prevent septic shock in the stock market, which knocked nearly 50 per cent off Celltech's shares yesterday even though this drug accounted for at most 30 per cent of the company's value. If that was the price of reminding investors of the perils of backing biotechs, it was probably worth it – though that is of little help to Celltech.

The group can draw some comfort, however, from the fact that septic shock is notoriously difficult to treat. Three other companies have so far failed to come up with workable medicines. Celltech has a decent pipeline, with potential treatments for leukaemia, Crohn's disease and various cancers to fall back on. And this incident proves that its strategy of signing up bigger collaborators limits the financial downside. While its partner, Bayer, splashed out over £100m developing the septic shock treatment, Celltech did not spend a penny and still has £41m in the bank. The drawback is that it had no control over the timing of such a damaging announcement.

There is comfort for investors too; both British Biotech and Cantab Pharmaceuticals have seen their lead products fail, only to bounce back from the dead.

Bass

Bass's shares have been drifting lower on fears that an obdurate Labour government will block its bid to gain 35 per cent of the British beer market by buying Carlsberg-Tetley. Given C-T's recent performance, however, investors should be relaxed at the prospect of dropping the leaking brewer. C-T's profits fell 28 per cent in the first half. And the way it is going, Bass would get the benefits of consolidation in the brewing sector even if its deal were blocked. Bass's shares may drift until C-T is resolved, but unless Bass makes ridiculous concessions to get it done, the outcome should be positive.

Nonetheless, C-T sets a nervous tone for the deal-making abilities of a group which is set to do a lot of deals. In hotels, a slowing in the build-up of new franchisees in the US is holding back growth. This puts more pressure on Bass to deliver its strategy of expanding in continental Europe and Asia. Crowne Plaza is demonstrably not the brand to do this, so Bass will be searching for something like Granada's Méridien. By contrast, one of the brightest points of the portfolio was its betting business, Coral, and this will tempt Bass to foot a bill of up to £600m for William Hill, which is back on the market.

Bass could happily spend £1.5bn without looking stretched. And while the current discount price-earnings rating suggests concerns that it may not invest wisely, Bass is at least in business segments which offer scope for profitable growth through acquisition.

Additional Lex note on Pilkington, Page 20

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1997 Thursday May 22 1997 Week 21

IN BRIEF

Coffee prices to remain at peak

The rally in coffee prices continued after the Association of Coffee Producing Countries decided to maintain export quotas for a further year. Prices had slipped from last week's 20-year high on hopes that the ACPC would increase its quotas. Page 24

Share price slump worries AT&T chief
Mr Robert Allen, chairman of AT&T, told the US telecommunications company's shareholders that its flagging stock price had become his main concern. The stock has fallen to $34¾ from $41¼ at the start of January. Page 16

Postbank warns on timing of flotation
Deutsche Postbank, the German postal savings bank due for privatisation, warned that the government would have to move quickly to complete arrangements for a stock market listing this year. Page 17

Televisa plans $90m cost savings
Televisa, the dominant group in Mexico's media sector, plans to save $90m a year over the next three years in an attempt to placate concerns about new management. Page 16

JR West posts $541.9m profit
West Japan Railway, the second of six railway companies formed through the break-up of the Japanese National Railway group in 1987, has reported consolidated recurring profit up 0.2 per cent at Y61.6bn ($541.9m). Page 19

Pilkington chief executive ousted
Mr Roger Leverton, chief executive of Pilkington, the UK-based glassmaker, was abruptly ousted in a boardroom coup engineered by the company's chairman. Page 20

Swiss group plans 'personal' CDs
CD World Corporation, a Geneva-based technology group, has taken an important step towards launching a CD digital network that can produce personalised compilation albums. Page 17

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	1530	+	115
Degussa	84.8	+	8.8
Heidelb Zem	168	+	9
SAP AG	318.1	+	8.8
Viag	786	+	22
Falls			
Germesheimer	27.55	-	4.45

NEW YORK ($)			
Rises			
Bell & Howell	26⅝	+	2
KU Energy	34⅜	+	4½
Keystone Intl	31¼	+	10¾
Mastec Inc	32⅝	+	3
Falls			
US Airways	35	-	2⅜
Western Digital	58¾	-	4¼

LONDON (Pence)			
Rises			
Chambrln & Hill	165	+	25
Shield Diag	462½	+	52½
Falls			
Bluebird Toys	106	-	63
Celltech	341	-	289
Coutts Consit	35½	-	12
Sketchley	65	-	23

TORONTO (C$)			
Rises			
Tel NT	11.9	+	1.0
Falls			
Ashton Mng	4.45	-	0.50
El Eco Logic	4.4	-	0.6
Geographics	4.00	-	0.45
Ipsex Corp	28.70	-	26.05
Livent Inc	14.50	-	1.25

PARIS (FFr)			
Rises			
Cred Lyon	216.0	+	9.4
Pechiney Intl	97.0	+	4.4
Societe Genl	688	+	20
Falls			
Bancaire Comp	732	-	17
Labinal	1285	-	45
Seita	206.0	-	8.8

TOKYO (Yen)			
Falls			
Asahi Brews	1620	-	80
Denny's Japan	3310	-	190
Murata Man	4360	-	340
Nippon Paper	680	-	34
Nisshin Oil	660	-	35
Taisho Phrm	2940	-	190

HONG KONG (HK$)			
Rises			
Cosco Pacific	10.8	+	0.55
First Pacific	9.75	+	0.20
Great Eagle	27.15	+	0.80
Hysan Dvlpmnt	24.70	+	0.65
Wheelock & Co	19.1	+	0.4
Falls			
Chinese Est H	7.55	-	0.10

BANGKOK (Baht)			
Rises			
Loxley Pub	50.5	+	4.5
Rockworth Pub	69	+	6
Tisco	53.5	+	4.75
Falls			
Amar Standard	186	-	20
Central Pat	71.5	-	7.5
Inoue Rubber	11.25	-	1.25

New York and Toronto prices at 12:30.

Veba takes stake in Degussa to bolster chemicals operations

Power group pays DM2.9bn for 36% holding in fellow German company

By Ralph Atkins in Düsseldorf

Veba, the Düsseldorf-based power and industrial group, yesterday bolstered its chemical activities against mounting competition by paying DM2.9bn ($1.7bn) for a 36.4 per cent stake in Degussa, the Frankfurt-based international chemicals concern.

Mr Ulrich Hartmann, Veba chairman, said the deal paved the way for wide-ranging co-operation between the businesses. It makes Veba the largest shareholder in Degussa by far, and reflects the Düsseldorf group's desire to expand across a broad front, including further acquisitions.

The Veba conglomerate – which supplies about a fifth of Germany's electricity – is planning a New York Stock Exchange debut in October and is pushing into telecommunications.

Mr Hartmann said globalisation meant chemical companies had to take "leading market positions" and Veba's chemicals division, Hüls, had been in danger of being left behind. He did not rule out Veba increasing its holding in Degussa, but said: "We think this is a reasonable stake to achieve our objectives."

Veba, which previously had no holding in Degussa, has agreed to maintain it as a listed company and continue the business strategy set out by Mr Uwe-Ernst Bufe, Degussa's chairman.

The 36.4 per cent stake was acquired by buying Gesellschaft für Chemiewerte (GFC), a company previously owned by Henkel, the chemicals group, Dresdner Bank and reinsurance group Munich Re.

GFC counted on usually having a majority of those present at Degussa shareholders' meetings, giving it virtual control over the group.

Veba paid DM86.8 a share, a premium of more than 10 per cent over Tuesday's closing price. The positive reception for the deal spurred Degussa's shares to close DM6.80 – or 8.91 per cent – higher last night at DM83.10. Veba edged up 98 pfennigs to DM99.50.

Contacts between Veba and Degussa have been informal so far, but Mr Hartmann said discussions would now start on co-operative ventures, including site sharing.

A Veba representative is likely to be appointed to Degussa's supervisory board and Veba expects cost savings to be "quite substantial".

But with a relatively small overlap between the businesses, the prime motive was the scope for securing dominant market positions in Degussa's areas of strength, including oxygen products and carbon black for car tyres.

In the 1995-96 financial year, Degussa's pre-tax profits reached DM413m and are expected by analysts to almost double by 1998-99.

Turnover in 1995-96 was DM13.79bn. Besides chemicals, Degussa also has interests in precious metals and banking.

Veba's Hüls division had sales of DM10.3bn in 1996 but earnings slipped as cost savings were eroded.

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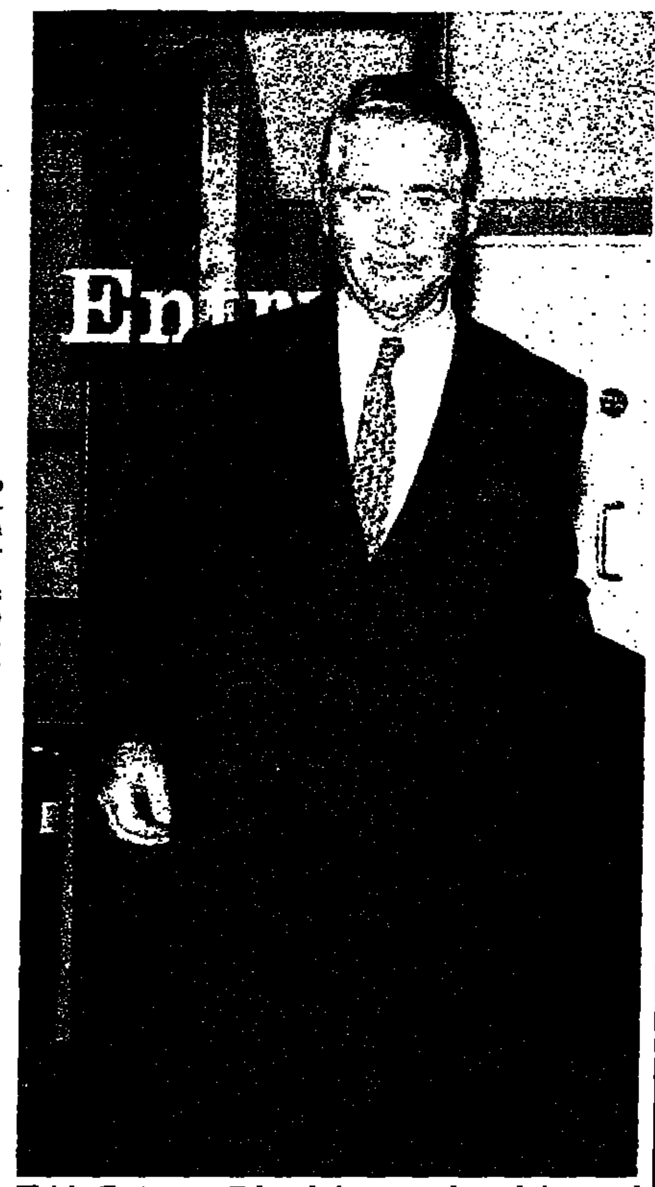
World stocks, Page 34



Ulrich Hartmann, Veba chairman, welcomed increased co-operation with chemicals concern Degussa. Picture: Brendan Corr

Fidelity to offer direct-sale life cover

By John Authers in New York

Fidelity Investments, the largest US fund manager, is launching an ambitious attempt to sell life insurance direct to US consumers.

Its plan, part of the company's well-publicised determination to "leverage" its strong brand recognition in the US, is to sell term life insurance direct to customers over telephone lines and through its website.

The company, generally credited with transforming the US market for mutual funds by introducing aggressive mass-marketing techniques, believes it could have the same success mass-marketing life cover, which, like savings plans, is perceived to be a product which consumers do not buy unprompted.

Mr Farrell Dolan, vice president of the company's life insurance subsidiary, emphasised that Fidelity had no plans to make calls to investors. Market research suggested many consumers were deterred by the image of the life insurance industry, and by the need to spend time going through awkward paperwork with agents.

With less sales pressure and simplified literature, the company believes more customers, particularly those who already hold Fidelity mutual funds, will be prepared to buy life cover. The company also hopes to undercut rivals on price thanks to its lower distribution costs.

The decision also intensifies Fidelity's competition with Charles Schwab, the San Francisco-based discount broker, which already offers life insurance to its customers, although it uses external underwriters.

Schwab stole a march on its Boston-based rival in its core mutual fund business by launching its highly successful "marketplace" for funds, which allows investors to switch without cost between funds provided by several different companies. Fidelity has since launched its own marketplace.

Fidelity has had a life insurance company since 1987, but until now it has only offered life cover as part of investment products, including variable and income annuities, and protection for long-term savings plans.

Profits at Toyota lifted by currency weakness

By Michiyo Nakamoto in Tokyo

Toyota, Japan's largest carmaker, lifted net profits 50 per cent to Y385.9bn ($3.39bn) in the year to March, helped by the weaker yen, cost cuts and a range of new recreational vehicles.

The company, which said it would offer directors stock options for the first time, nearly doubled its operating profits to Y665.1bn from Y348.1bn. Consolidated sales rose 14 per cent to Y12,243bn and recurring income surged 68 per cent to Y708.3bn.

The better performance was supported by the yen's weakness against the US dollar in particular, which contributed Y240bn to operating profits. Cost cutting boosted results by a further Y110bn while increased sales brought in Y60bn at the operating level.

Toyota, which launched 11 models at home including five recreational vehicles, increased sales in its main markets. In Japan, new models such as the Ipsum, a station wagon launched last May, contributed to a 9 per cent increase in sales.

Exports were buoyed by the weaker yen and rose 12 per cent during the year. Sales in Europe rose 14 per cent thanks to the popularity of the RAV4 sports utility vehicle and the Picnic station wagon.

In North America, the company enjoyed a 10 per cent increase in sales after firm demand for the remodelled Camry sedan.

Toyota expects slower growth of parent pre-tax profits for this year. Sales are forecast to slow to Y8,000bn from Y9,104bn last year, but recurring profits are forecast to rise to Y630bn from Y620.4bn. Net profit will also rise to Y360bn from Y303bn.

Toyota has turned itself around sharply after profits sank in 1994 to their lowest level in 12 years. The recovery owes much to the reversal in the yen's strength against the US dollar, although the company yesterday also attributed it to group solidarity.

"Toyota is a company that is strong in the face of a crisis," said Mr Akira Yokoi, executive vice-president.

● Daihatsu, a subsidiary of Toyota which makes small cars, posted a strong rise in profits after firm demand for its multipurpose vehicles. Sales rose 16 per cent to Y787.5bn and recurring profits nearly doubled to a record Y19.4bn.

Collective effort, Page 19

Blow to UK biotech industry as Celltech scraps blood drug

By Roger Taylor in London

The UK's fledgling biotechnology industry suffered a setback yesterday when Celltech announced that its treatment for septic shock – a reaction to blood poisoning – was being dropped after disappointing trial results.

Celltech's shares almost halved in value, from 630p to 341p, and confidence in the whole sector was shaken.

Mr Peter Fellner, chief executive of Celltech, one of the leading companies in the field, said: "This is extremely disappointing and unexpected."

The news hit other biotechnology shares which fell sharply at the start of the day, although many recovered.

Worst hit were Cantab Pharmaceuticals, down 47½p at 917½p, PPL Therapeutics, down 15p at 407½p, and Scotia Holdings, down 10p at 392½p. (The FTSE All-Share index ended the day up 13 at 2,209.21).

Some brokers said the news was an important antidote to over-enthusiasm in an industry driven by optimism. Mr Nick Woolf of Nomura said: "This is a dose of realism. Investors need to take on board that drugs can fail even at the last stage. We are likely to see more of these."

Others warned that that the news would make investors more reluctant to back new biotechnology companies.

Ms Jane Fiskin of Kleinwort Benson said: "Inevitably this will make it harder for other companies trying to come to the stock market."

There is no effective treatment for septic shock, a severe reaction to blood poisoning which often follows surgery.

It kills more than 200,000 people a year in the US and Europe. Analysts had forecast annual sales of up to £600m from the product.

Bayer, the German pharmaceutical company developing the product with Celltech, said it was stopping any future work in the area. It had invested $150m on the product.

Bayer said: "This has been an expensive failure. It is a great pity we cannot develop a treatment which would have helped many people."

Bayer was developing two septic shock therapies in collaboration with Celltech: BAYX-1351 or Norasept, and a more advanced version called CDP 571.

BAYX-1351 was tested on 2,000 people in the US. Initial data released last year indicated a drop in mortality rates but further analysis has found the effect to be insignificant.

Mr Fellner said that Celltech did not now expect to start earning revenues until 1999.

Several other septic shock products, developed by US biotech companies, have already failed in clinical trials.

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Editorial Comment, Page 13

JCI chairman confident of Lonrho merger

Agreement would result in $3.2bn global mining group

By Roger Matthews in Johannesburg

Mr Mzi Khumalo, chairman of JCI, South Africa's first black-controlled mining house, yesterday said he was confident of reaching an agreement "pretty soon" to merge with Lonrho, the UK-listed conglomerate. The talks could lead to the creation of a £2bn ($3.2bn) group with interests covering gold, coal and platinum.

Mr Khumalo, who flew back to Johannesburg yesterday, said he would return to London on Monday for what he hopes will be final talks. "JCI wants a broad agreement pretty soon. After that we can handle the detailed, technical work," he said.

Lonrho declined to comment. The conglomerate believes there may be commercial advantages to combining its mining operations with those of JCI. But advisers say it will be difficult to persuade JCI and Anglo American, the South African mining house seen in some quarters as an important influence behind the talks, of the values Lonrho attaches to assets.

Mr Khumalo said he had made the initial approach to Lonrho.

"When it became clear that the European Union would not allow Anglo American to maintain its 27 per cent stake in Lonrho, I knew it was open season and that JCI had to make its move," he said. The European Commission has ordered Anglo to cut its stake to 9.99 per cent to prevent excessive concentration in the global platinum industry.

Anglo supports the JCI plan, and hopes in return for selling its stake in the UK conglomerate to get Lonrho's holding in Ashanti Goldfields of Ghana, valued at about $400m. "A lot of people have focused on the possible Ashanti aspect of the merger, saying that Anglo would be the big beneficiary," said Mr Khumalo. "Perhaps for some companies Ashanti would be a big prize, but not for us. We have excellent quality gold assets and will be the biggest gold producer in the world, even without Ashanti. We will achieve everything we want, and still allow Anglo to get Ashanti."

Mr Khumalo is also confident he can resolve the claim by Gencor, South Africa's second-largest mining house, to have the first right to acquire Lonrho's platinum interests in the event of a change of control at the conglomerate.

"I have had talks with Brian Gilbertson, the chief executive of Gencor. I think we can reach an agreement with him whereby he sells us his stake, or waives his pre-emptive rights", said Mr Khumalo. "And it is our intention eventually to float our platinum interests separately". That ambition squares neatly with the goal of Mr Nicholas Morrell, Lonrho chief executive, to buy out Gencor's interest in the platinum business.

Televisa boosted by cost-cutting plan

By Daniel Dombey in Mexico City

Televisa, the dominant group in Mexico's media sector, yesterday announced a three-year cost saving plan to placate concerns about the group's new management.

The group, which aims to save $90m a year for the next three years, also set goals of increasing its cash-flow margin to more than 25 per cent – 10 percentage points more than current levels – making sure that dollar revenues exceeded dollar expenditures and improving its performance in both terrestrial and direct-to-home television.

The plan follows concerns about Televisa's new chief executive, 29-year-old Mr Emilio Azcárraga Jean. Televisa's former chief executive, Mr Emilio Azcárraga Milmo, who had led the company for a quarter of a century, died in April, only a month after handing over to his son.

Partly because of the succession, Televisa's stock has dropped 0.3 per cent so far this year, while the leading Mexican index has risen 17 per cent.

After the announcements yesterday, however, the company's American Depositary Receipts were up $1¼ at $26¾.

"The management is clearly committed to this plan," said Ms Maria Marron at ING Barings in New York. "Their own financial situation is tied to the stock performance so it is very important to them that it improves."

Televisa, which sees itself as a production rather than media group, is placing most emphasis on controlling costs. Its cash flow is highly volatile, and substantial fixed costs, often dollar linked, mean that profits can dive with only a slight drop in sales.

The group has already sacked some executives, and plans to give stock options rather than rises, reduce overtime payments and introduce performance-related pay. The staff cuts will largely be responsible for a one-off charge of $80m. Other measures include reducing rental costs and cutting back on promotional expenses.

Debt of $988m will be cut by $100m, using some of the proceeds from its $650m sale of part of its stake in PanAmSat, the satellite operator. Televisa estimates interest costs this year at between $135m and $145m, compared with $245m last year.

But it was less forthcoming on how it would increase sales. Its Sky DTH service is widely perceived to be lagging behind rival Galaxy Latin America, and its terrestrial channels have been losing viewers to Televisión Azteca for more than two years.

Share slump worries AT&T

By Richard Waters in Secaucus, New Jersey

Mr Robert Allen, chairman of AT&T, told the US telecommunications company's shareholders yesterday that its flagging stock price had become his main concern.

His comments at AT&T's annual meeting follow a continuing slump in the shares this year, at a time when the US stock market has climbed to new heights.

Mr Allen offered no short-term moves to get the stock price moving again, however. And he said that Wall Street was unlikely to change its view of the company until it began to show results from longer-term plans which were laid out earlier this year.

AT&T's shares were hit last year as it lost ground to competitors in its core long-distance residential telephone business.

They have continued to drift lower this year, despite efforts by Mr Allen to persuade investors and analysts that it had got a grip on the problems.

By yesterday afternoon, the stock was trading at $34¾, down from $41½ at the start of January.

Mr Allen said: "Stock price is their [shareholders'] one concern – and ours too."

Mr Allen also acknowledged that the company had made a mistake by getting dragged into a price war started by much smaller rivals. "We let ourselves get dangerously close to competing on price alone last year, and we paid the price," he said.

The AT&T chairman told shareholders that the company planned to stick to its longer-term plans, which involve costly investments in local calling and other new markets.

He said this involved "a classic long term/short term trade-off", with lower profits this year and next in return for higher earnings growth later.

AT&T's struggles to maintain its dominant position in the US's long-distance calling market – where it still carries more than half of all calls – has prompted comparisons with the plight of IBM at the start of this decade.

Mr Allen brushed off such suggestions, arguing that last year's record earnings and a strong balance sheet, along with its plans for growth, left the company in a much stronger position.

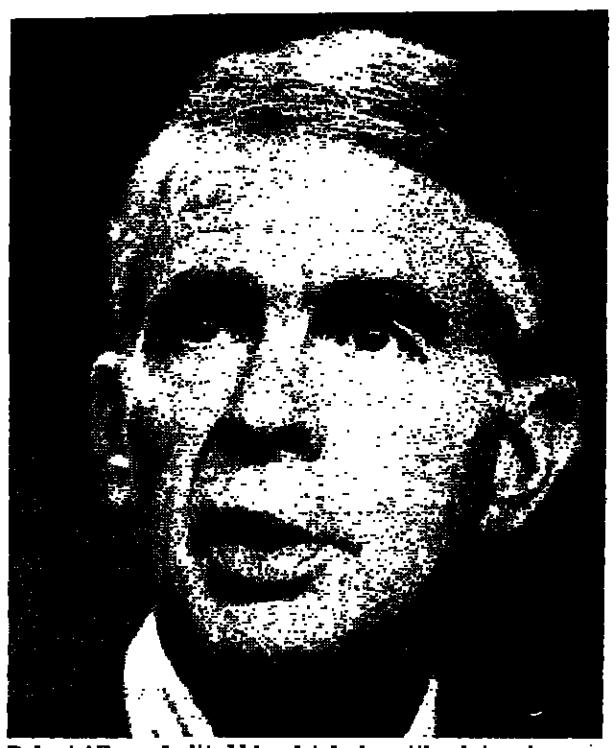
"This is not a company adrift, searching for some elusive silver bullet," he said.

AT&T executives also said yesterday that the company was in talks with various European telecoms carriers to strengthen its position in the region.

The company was hit by the defection of its Spanish partner, Telefónica, earlier this year.

"There's no question in any way that we're pulling out from our global platform," said Mr John Walter, who is due to succeed Mr Allen as chief executive at the end of this year.

"We are in discussions for many relationships in Europe. This is important – we have lots of options," he said.



Robert Allen: admitted his mistake in getting into price war

Dell shares jump 9% on strong first quarter

By Louise Kehoe in San Francisco

Dell Computer's shares jumped 9 per cent yesterday on news of the personal computer company's strong first-quarter earnings and sales.

In midsession, Dell was at $108¼, a gain of $8¼ over Tuesday's close. Other PC manufacturers were also up strongly, as analysts viewed Dell's results as an indicator of industry growth. Compaq Computer gained $4½ to trade at $101½ in midsession; IBM was up $3¼ at $177.

Dell, which reported after Tuesday's close of trading, saw net income for the quarter ended May, its first fiscal quarter, jump 141 per cent. The Texas company, which specialises in direct sales via telephone and the internet, was outpacing all competitors in the PC market, industry analysts said.

It has overtaken Packard Bell and Apple Computer to become the world's third largest PC company, after Compaq Computer and IBM, as measured in unit sales, according to International Data, a market research group.

Net income for the first quarter was $198m, up from $82m in the same period last year. Earnings per share increased 157 per cent to $1.08 a share, from 42 cents a share a year ago. Earnings were well above Wall Street projections of about 93 cents a share. Revenues were $2.59bn, a 58 per cent increase over $1.64bn in the same period last year.

The PC market grew at an estimated rate of 17 per cent for the year. Dell's first-quarter sales were up 64 per cent in the Americas, at $1.7bn; 90 per cent in the Asia-Pacific region including Japan, where revenues reached $199m; and 38 per cent in Europe to $644m.

"We are clearly gaining market share at the expense of competitors," said Mr Mort Topfer, vice-chairman.

Dell has extended its direct sales onto the internet enabling customers to purchase PCs online. Sales via the internet were running at about $1m a day and growing at about 15 per cent a month, said Mr Topfer. Dell expected about 50 per cent of its sales would be made via the internet in two to three years, he added.

Large corporate accounts are Dell's stronghold, with sales to big companies and government agencies accounting for 90 per cent of revenues in the US.

Dell has moved aggressively into the market for PC servers linked to corporate networks. Over the past year it has doubled its share of the world market for this segment. This summer, it plans to enter the computer workstation market with high-performance machines based on Intel's latest microprocessors.

Separately, Dell announced a 2-for-1 stock split, its second in the past eight months. The market value of Dell stock has more than doubled since the last split in November 1996.

AMERICAS NEWS DIGEST

CTC in merger talks with VTR

CTC, Chile's main domestic telephone service, is in merger talks with the smaller phone and cable TV operator, VTR, jointly owned by the Luksic group and Southwestern Bell, the US telecoms company. No details have been made public, but VTR, which is not publicly traded, has an estimated value of $600m-$1bn. The Luksic group and SBCI would retain a seat on the board and a stake in the new enterprise. CTC has a market value of $6.4bn.

One stumbling block, however, is an agreement between CTC and the Claro group, who are joint partners in Metropolis-Intercom, the biggest cable TV network. The merger would also have to clear Chile's anti-monopoly commission: CTC's domestic network covers three-quarters of the country and 92 per cent of the population; VTR covers the two regions where CTC has an insignificant or nil presence. The new company would have total geographical coverage.

VTR had been planning to compete against CTC in downmarket Santiago for domestic users, with new technology which would allow it to add telephones to its cable TV lines. It was in partnership with Nortel, the Canadian equipment supplier, in what was to have been one of the biggest deployments yet of the new technology.

CTC and VTR went into partnership a year ago in their mobile phone services. CTC holds one of the two concessions for Santiago, while VTR has the rest of the country, so combining their operations and strengthening both against the introduction of countrywide PCS concessions which are due to come into operation some time this year.

Imogen Mark, Santiago

Intel lifts payout

Intel, the world's largest chipmaker, increased its quarterly stock dividend yesterday, adding one cent to the previous five cents a quarter payout. The move coincided with the company's annual shareholders' meeting, where shareholders were expected to approve a 2-for-1 stock split. This would reduce the post-split dividend to three cents a share.

Intel's shares were trading at 164$\frac{11}{16}$ in mid session yesterday, up 2.4 per cent from Tuesday's close.

Louise Kehoe, San Francisco

Utilities in $3bn merger

US utilities KU Energy and LG&E Energy are to merge in a deal valued at more than $3bn. KU Energy shareholders will receive 1.67 LG&E common shares for each KU Energy common share. The transaction is expected to be marginally dilutive to earnings in the first year following the merger and accretive thereafter. The companies expect the transaction to be completed within 12 to 18 months.

AP-DJ, Kentucky

Wells Fargo chief to retire

Wells Fargo, the US bank, said Mr William Zuendt, president, plans to retire later this year. Mr Zuendt, 50, will retire from the board in July. Four vice-chairmen will form a newly created office of the chairman with Mr Paul Hazen, chairman.

AP-DJ, San Francisco

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Galileo floats to finance buys

By Richard Tomkins in New York

Galileo International, one of the world's three big airline reservation systems, is to seek a stockmarket listing through a $400m initial public offering, and will use the proceeds to help finance three acquisitions.

The biggest acquisition is Apollo Travel Services, which sells Galileo's services in the US, Mexico and the Caribbean. It will be bought for $700m.

The other two are Galileo Nederland of the Netherlands, owned by KLM Royal Dutch Airlines, and Traviswiss of Switzerland, which is owned by Swissair.

Galileo is buying Apollo from UAL's United Airlines, which holds 77 per cent of the company's equity; US Airways, which holds a 21 per cent stake; and Air Canada, which holds 2 per cent. United, which stands to collect $539m from the deal, said it was selling its stake to reinvest the proceeds in its core business.

Apollo, Galileo Nederland and Traviswiss are among the 43 companies around the world that have exclusive rights to operate the Galileo communications network and market Galileo's services on a local basis. Through these companies, Galileo – based in Rosemont, Illinois – supplies reservations services to travel agents at 36,000 locations worldwide.

Galileo is owned by a consortium of 11 US and European airlines. The biggest shareholder is United, which has a 38 per cent stake, but United said it had no plans to reduce its stake following the sale of Apollo.

The other members of the consortium are Aer Lingus, Air Canada, Alitalia, Austrian Airlines, British Airways, KLM, Olympic Airways, Swissair, TAP Air Portugal and US Airways.

Galileo's rivals are Europe's Amadeus system, owned by Lufthansa, Air France, Iberia and Continental Airlines, and the US-based Sabre network, which, until recently, was wholly-owned by AMR, the parent company of American Airlines.

Late last year AMR brought Sabre to the stock market through a $545.4m offering and retained an 82.2 per cent holding in the company.

Airline reservation systems have often been criticised for presenting information in a way that tends to favour the airlines that own them to the detriment of smaller carriers and low-cost operators.

This was one factor behind behind AMR's decision to give Sabre a degree of independence.

Tyco buys valve maker for $1.2bn

By Tracy Corrigan in New York

Tyco International, the US industrial group, bagged the latest in a spate of acquisitions yesterday, buying Keystone International, an industrial valve manufacturer, for $1.2bn.

The deal creates the world's largest valve company.

Mr Dennis Kozlowski, Tyco chairman and chief executive, said it reinforced the company's strategy of building its global presence in "high value, stable industries" and would provide "immediate positive earnings and strong long-term growth potential".

Keystone has annual revenues of about $700m and manufactures industrial valves used to control the flow of liquids, gases and solids in the chemical, oil, food and drink and other industries.

The deal is Tyco's fourth big acquisition in two months, according to Mr Michael Jaffe, an analyst at Standard & Poor's Equity Group. "But they seem to have a very savvy management team and they have carried [other acquisitions] out well in the last few years."

Other purchases by Tyco include ADT, the electronic security systems company which will become part of Tyco's Fire and Safety Services group – its biggest deal to date; AT&T Submarine Systems, a fibre-optic telecommunications cable company, which is being integrated into Tyco's Electrical and Electronic Components group; and Inbrand, which manufactures incontinence and feminine hygiene products, acquired by Tyco's Disposable and Specialty Products business.

Tyco said it had made more than 60 acquisitions in the past four years and more would follow, although not immediately of the same size as the recent deals.

The acquisitions "fit across our four business segments. Our company is very decentralised and the operating people responsible for integrating the acquisitions are different people".

Keystone shareholders will receive 0.54183 shares of Tyco stock for each Keystone share under the definite merger agreement, although the ratio can change under an agreed formula if the share price moves outside a specified range.

The deal values Keystone at $34 per share, based on Tyco's Monday close of $62¾. Following the announcement, Keystone shares rose $10⅝ to $31⅛; Tyco's shares fell $1⅛ to $61⅝.

Household Intl in $1.1bn purchase

By John Authers in New York

Streamlining in the US retail financial services continued yesterday as Household International, the largest US consumer lender, agreed to buy Transamerica's consumer lending operations for $1.1bn.

Both companies had historically been broadly based financial conglomerates, and the move reflects attempts by both to focus on core businesses.

Household International, based near Chicago, is one of the largest US credit card issuers. It launched Visa and MasterCard cards in conjunction with several large companies, including General Motors.

However, the recent record levels of personal bankruptcies have increased bad debts for specialist credit card lenders, which have generally increased their efforts to issue new cards while conventional banks have diminished their sales campaigns.

The acquisition strongly diminishes Household's reliance on unsecured credit card loans and means that a higher proportion of its portfolio will be backed by property.

It also allows Household to expand its branch network in an area where it is seeing increasing competition from mainstream commercial banks.

The businesses it has bought, which had a book value of $487m, include a network of 420 branch offices in 44 states, all of which will operate under Household's HFC brand. The total outstanding loans changing hands in the transaction are about $3.6bn, most secured by property.

Standard & Poor's, the rating agency, which reaffirmed its ratings for Household, said the acquisition also provided the company with opportunities to cut costs, as well as giving it a more balanced portfolio.

Transamerica announced two months ago that it was looking to sell its consumer finance operation as part of a restructuring. It will use the funds to pay down debt and to buy back 6m of its own shares.

The business had been troubled by bad debts, with operating income of only $26.9m last year, against $92.5m in 1996, due mainly to special loss provisions of $72m.

The deal received a lukewarm reception on the markets. By midsession, Household had gained only $¾ to $92⅞, roughly in line with the market. Transamerica had fallen $¾ to $87 at the same point.

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COS AND FINANCE: EUROPE

Postbank warns on timing of flotation

By Peter Norman in Bonn

Deutsche Postbank, the German postal savings bank due for privatisation, yesterday warned it was almost too late to complete arrangements for a stock market listing this year.

Mr Joachim Sperbel, board member responsible for finance, said yesterday Postbank was "fit for going public". But he warned that the government would have to move quickly if the flotation were to be completed by the end of 1997.

"By normal standards the point for starting on a stock exchange listing this year has already been passed," he said.

The state-owned bank recently ended a protracted feud with Deutsche Post by agreeing financial terms for using post office counters.

The bank estimated that the 75 per cent of its capital due to be sold was worth between DM3.4bn and DM4bn ($2.01bn-$2.36bn) – more than the DM3bn estimated recently by Mr Wolfgang Bötsch, post and telecommunications minister.

Mr Sperbel yesterday forecast a 1997 net profit "markedly higher than DM300m".

Postbank has begun talks with potential partners which will help it develop its services in return for equity stakes. The first of these will be a link-up with BHW, the housing finance group.

Postbank will then seek a partner in the insurance sector. Among contenders is the Volksfürsorge group. Mr Sperbel confirmed that BHF-Bank was no longer a likely partner because Postbank had decided to develop its own investment business.

Reviewing last year's results, Mr Sperbel said assets rose 7.6 per cent to DM107bn and so topped the DM100bn level for the first time. Operating profit after creation and liquidation of normal provisions rose 31.6 per cent to DM308m. Mr Sperbel forecast a further rise of at least 10 per cent this year.

Postbank's personnel costs fell DM354m, or 19.2 per cent, to DM1.5bn last year, reflecting a staff reduction of 1,446, or 8.9 per cent, to 14,778. Mr Sperbel warned that the pace of staff cuts would slow because 80 per cent of the bank's remaining staff had the protected status of government officials. Mr Volker Mai, board member responsible for personnel, said the bank had a "staff overhang" of 600 but it was exploring ways of using this excess usefully.

As forecast, Postbank yesterday disclosed a 1996 net loss of DM1.26bn, following net earnings of DM226m the year before.

BZW to prepare airports sell-off

Peter Wise in Lisbon

Portugal has appointed an international consortium, including investment bank Barclays de Zoete Wedd, to prepare the privatisation of Aeroportos e Navegação Aérea, which owns the country's nine main airports.

Up to 49 per cent of Ana, whose airports handled almost 13m passengers in 1996, will be sold next year. The government is expected to sell the group through a global equity offering, but could opt for a negotiated sale to an airport operator.

BZW, BFE-Serviços Financeiros, part of the Banco Português de Investimento group, and Coopers & Lybrand will advise on strategy and value Ana.

A second consortium – Union Bank of Switzerland, Lehman Brothers and Portugal's Banco Cisf – will make a separate valuation.

Ana, whose total revenue last year was Es43.4bn ($254m), is responsible for air traffic control, air transport regulation and commercial airport operations.

Only the commercial operation will be privatised, after the group is split into three.

BZW and its partners will draw up a plan for restructuring Ana and selling part of the airport operating company that emerges from the reorganisation.

Ana's net consolidated profits rose 16.5 per cent in 1996 to Es7.2bn.

Swiss CD group nears launch of 'personal' discs

By Alice Rawsthorn

CD World Corporation, a Geneva-based technology company, has taken an important step towards launching a CD digital network that can produce personalised compilation albums.

CD World has secured an agreement with Suisa, the society that represents the interests of music publishers and composers in Switzerland.

Suisa will negotiate on CD World's behalf with its counterparts in other countries.

The Suisa deal paves the way for the launch early next year of a network of Music Point units, or computer terminals, which will be installed in record stores, shopping centres and airports.

Each unit will be linked, through a digital network, to a central database containing up to 1m different songs.

Consumers will be able to select compilations of favourite songs at Music Points and have them made up into compact discs, each lasting up to 45 minutes.

The personalised compilations, which will be made up within four minutes at the Music Point terminals, will cost roughly the same as a normal CD album.

CD World has formed a joint venture with Hewlett-Packard to develop the terminals, and has teamed up with IBM on the development of the database and network.

It now needs to secure copyright agreements with the record companies, which own the recording rights to the music in its database, and also with the collecting societies that control the publishers' and composers' rights in different countries.

Mr Marc Deschenaux, CD World president, said the company had already agreed terms with some record companies and was in advanced negotiations with others. He described the Suisa deal as extremely important, adding that CD World, helped by Suisa, should now be able to press ahead and secure similar agreements with other collecting societies.

If all goes well CD World, which is already running its Music Point units in private trials, plans to introduce the venture on a commercial basis from January 1998. Mr Deschenaux said his goal was to have 10,000 terminals in operation within three years.

The news of the CD World accord comes at a time when developments in the digital distribution of music are accelerating. EMI, the UK music group, is in the final stage of negotiations to start selling its recordings on-line through a high-speed cable television pilot project in France.

Changed role for Count Marzotto

By Paul Betts in Milan

Count Pietro Marzotto is to step down from day-to-day management of the family-controlled Marzotto textiles and clothings group to concentrate on strategy as the company chairman.

The count told the company's annual meeting yesterday that the decision had nothing to do with the collapse earlier this month of the proposed merger between Marzotto and the HPI holding company, which would have formed one of Europe's largest textiles and clothing groups.

The company stressed that a management reshuffle had been planned before the link-up with HPI was abandoned.

Mr Jean de Jaegher, Marzotto deputy chairman, will be executive deputy chairman and will take over some of the responsibilities held by Count Marzotto. Mr Silvano Storer, a former executive with the Benetton clothing and retailing group, has been appointed managing director.

Count Marzotto said the family continued to control 57-58 per cent of the group and remained united. Marzotto, founded in 1836, is one of Italy's oldest family-controlled companies.

Mr de Jaegher said group sales were expected to rise 4-5 per cent this year over 1996 sales of L2,225.4bn ($1.33bn). Net profits were also expected to be above the L58.1bn reported in 1996.

Bell Helicopters buys into Romania

By Anatol Lieven in Bucharest

Bell Helicopters of the US yesterday agreed to pay $25m for 70 per cent of IAR Ghimbav, the Romanian military aircraft manufacturer, in what is described as one of the biggest single western investments in the country.

It has also committed to spending another $37m in new plant and upgraded production.

The deal forms part of the new Romanian government's privatisation programme, ...

private hands by the 2000. Negotiations for the deal, brokered by Merrill Lynch, have been held over several months in secrecy. Ghimbav's debts of around $16m will be paid by the State Property Fund, which held the stake, out of the purchase price.

Romanian officials said the sale was the first foreign purchase of a company in the field of military industry and high technology.

Bell will use Ghimbav, situated in the Transylvanian city of Brasov, to produce ...

KLM chief resigns as profits tumble

By Gordon Cramb in Amstelveen

Mr Pieter Bouw, who led KLM back from severe losses in the early 1990s but failed to secure the Dutch flag carrier a full network of industry partners, is to leave the airline in August.

He made the surprise announcement yesterday while reporting a 56.9 per cent fall in full-year net profits to Fl 236m ($124m). KLM was weighed down in the year to March by higher jet fuel costs and a Fl 290m pre-tax charge to cover restructuring costs.

Mr Bouw, aged 55, has been KLM president since early 1991. He said he was leaving because the main points of a reorganisation programme had been agreed, though measures to implement it were not all in place. Last November he unveiled a three-year plan to improve earnings by spinning off support services, shedding loss-making routes and forging industry links.

Adding that six-and-a-half years was a sufficient spell in such a job, he said he would devote time to broader issues of Dutch policy – and wanted to offer his services as a personal counsellor to fellow business leaders.

Insisting he was not quitting in despair, the Amsterdam-trained economist said: "I want something else which enables me to determine my own life a bit more."

He will be succeeded by Mr Leo van Wijk, 50, who as chief operating officer has been responsible for finding areas in which to save costs. Mr Van Wijk has been with the company since 1971 and worked in divisions including corporate development, marketing, automation and cargo.

As president he will have to carry out a streamlining plan which seeks to improve return on equity from 6 per cent in the latest year to 14 per cent, a target thought unattainable by many analysts. This is intended to involve deeper links with Northwest Airlines of the US, in which KLM owns 25 per cent but has been in a protracted dispute with controlling shareholders. A Fl 442m contribution from Northwest, up from F 258m, was buoyed by proceeds from preference shares.

KLM admits it also needs a partner within Europe's newly deregulated air travel market. Mr Bouw yesterday said only: "We are exchanging thoughts with many companies but I cannot say when we will be able to announce anything." KLM and its current partners, including Air UK and Transavia, have a European market share of about 8 to 9 per cent, he said.

The dividend is being halved to Fl 1, paid from earnings per share of Fl 3.01 against Fl 5.86. Shares in KLM nonetheless rose Fl 1.60, or 2.75 per cent, to close at Fl 59.80.

Further cost cuts planned at RWE

By Ralph Atkins in Essen

RWE, the Essen-based power and industrial concern, yesterday announced further rationalisation in its energy supply business to save DM700m ($413m) a year, as it gears up for the liberalisation of the European power market.

Mr Dietmar Kuhnt, chairman, said the cost savings, which come on top of DM550m in annual savings already achieved in the past few years, could give scope for price cuts – particularly for larger clients – after the creation of a pan-European electricity market. Pressure on margins was "set to continue with increasing intensity," he warned.

RWE also announced streamlining at Rheinbraun and Laubag, part of its mining and raw materials operations, which should save about DM800m a year by 2000.

Unveiling third-quarter results, Mr Kuhnt said profits for 1996-97 were expected to have risen at the same pace as in the nine months to March, when net income increased 6.8 per cent to DM878m. Mr Kuhnt confirmed plans for a partial flotation of shares this year in Heidelberg, its printing machinery subsidiary.

RWE's start-up losses from telecommunications were DM184m in the first nine months, up from DM60m a year ago.

Young turks, veterans, vie for gas

Western bankers align themselves to factions jockeying for Gazprom

Over the past few weeks a steady stream of senior western bankers has made the journey to the gleaming Moscow headquarters of Gazprom, Russia's wealthiest company and the world's biggest natural gas group.

Some have done so with growing confidence that they have found the inside track to Mr Rem Vyakhirev, the chairman, as they jockey to participate in one of the most important corporate fund-raising exercises to take place in Russia this year.

Others have walked into the Gazprom towers with trepidation, fearful that they are about to be sidelined.

Fierce competition between the bankers has been fuelled by the urgency facing Gazprom in raising new funds. But the banks have also been drawn into a wider drama being played out within Gazprom for influence over Mr Vyakhirev and the vast company.

The fund raising has taken on a new urgency because of growing government pressure on Gazprom. Mr Vyakhirev and his managers are scrambling to stay one step ahead of Mr Boris Nemtsov, the reformist first deputy prime minister, who has demanded that Gazprom pay its outstanding $1.2bn tax bill and open itself to outside scrutiny.

Mr Nemtsov says it is a disgrace that the state has received only Rbs20bn ($3.5m) in dividends from its shareholding over the past two years, at a time when Gazprom was earning billions of dollars in hard currency exports. But meeting the tax demand is only the tip of a financial iceberg for Gazprom. Although it is Russia's biggest single hard currency earner, Gazprom has a growing need for international finance to fund ambitious plans to expand its lucrative export pipelines to Europe's gas markets.

Bankers say it needs to raise $3bn-$4bn by the end of July to pay salaries and ensure that long-term development plans remain on track. Over the course of the next year it may need to raise as much as $8bn through a combination of secured and unsecured loans, bonds and equity.

In the face of this voracious appetite for funds, it appears Dresdner Kleinwort Benson of Germany and Morgan Stanley of the US – which have to date advised Gazprom on a string of international capital market transactions – have been sidelined by a challenge from ABN Amro, the Dutch bank, and its US partner, Goldman Sachs.

In order to secure a relationship with Gazprom, the newcomers have offered the company a $1bn unsecured bridging loan. It will come from their own capital and will subsequently be syndicated with a wider group of banks.

But it also seems that two competing factions, allied with the competing western banking groups, have emerged within senior management at Gazprom. One is made up of a young generation of "technocrats".

They were behind the company's $429m equity placement last year organised by DKB and Morgan Stanley.


Rem Vyakhirev

The leading figure in this group is Mr Alexander Semanyaka, who joined Gazprom from the AK&M financial information group, to run the company's securities department.

The rocky performance of the ADR price this year is thought to have undermined Mr Semanyaka in the eyes of Gazprom's top management. In recent months he appears to have lost Mr Vyakhirev's ear and in effect been replaced by Gazprom veterans.

They have sought the advice of Middlesex Holdings, a small British company chaired by Lord Owen, the former British foreign secretary. Executives from Interfin Services, a Russian company in which Middlesex has a 40 per cent stake and Gazprom a 25 per cent holding, have also assumed an advisory role.

Some western bankers in Moscow say the appearance of such unlikely advisers to Russia's most politically-sensitive company, which accounts for 8 per cent of Russia's GDP, has made it even harder to understand what, and who, is driving the decision-making process within Gazprom. Some bankers fear that the uncertainty could have grave consequences for the company. The emergence of multiple advisers promoting possibly contradictory financing strategies could de-rail the capital raising programme and discredit Russian borrowers in the eyes of foreign investors, they say.

"It takes only one mis-step and the trust built up (among foreign lenders and investors) over a long period of time can be destroyed," said one banker this week.

But is the decision-making process within Gazprom as murky as some participants make out?

Mr Masoud Alikhani, Middlesex's chairman, says his company's role is clear: "Our function is to get the best deal for Gazprom. We didn't try to set off a competition between the banks by design. That has just happened. But competition means the banks are trying to lend them more money at cheaper rates."

He denies suggestions that some of the western banks are deeply unhappy with the role of Middlesex and Interfin in the negotiations. "Its not that the banks are unhappy with us," he said. "They are unhappy with each other."

Although Gazprom seemed set this week to confirm that ABN Amro and Goldman Sachs would be appointed to raise the $1bn Mr Vyakhirev promised the government by June 10, the jockeying for influence within the company and among its advisers shows no sign of abating.

Robert Corzine and John Thornhill

EUROPEAN NEWS DIGEST

Dresdner Bank downgraded

Dresdner Bank has followed Deutsche Bank, its bigger German rival, in being downgraded by Moody's Investors Service. Moody's yesterday lowered its long-term credit rating from triple-A to Aa1 and its financial strength rating from single-A to B plus. The international credit rating agency placed Dresdner on review in February, citing the "changing dynamics" of German banking. Yesterday, Moody's said these were altering the scale of competition "and adding elements of uncertainty to Dresdner Bank's fundamentals".

Moody's said its downgrading reflected increasing challenges in the highly fragmented domestic market and potential risks in investment banking. But it viewed Dresdner "as one of Europe's strongest and better managed financial institutions". It said the bank would probably continue to grow as a universal banking group with a strong domestic franchise, good asset quality and a growing non-interest income base.

IBCA gives Dresdner a rating of AA plus. Moody's said narrower margins in Germany along with flattening loan demand and gradual changes in savings trends were to some extent limiting Dresdner's ability to expand revenues from traditional net interest income sources. It also had a relatively high cost structure.

Andrew Fisher, Frankfurt

Metallgesellschaft climbs

Metallgesellschaft, the German industrial and trading group, raised pre-tax profits 51 per cent to DM106m ($62.54m) at halfway, but said the steep increase partly reflected differences in the timing of big industrial plant orders. Mr Kajo Neukirchen, chairman, repeated his forecast that profits for the full year would be higher than in the year to September 30 1996, when they jumped 70 per cent to DM292m before tax.

He said the group was studying possible acquisitions in all its key sectors – plant engineering, chemicals, building technology and trading – as well as disposals of activities that did not meet strategic goals. Earlier this year, Metallgesellschaft agreed to buy effective control of Agiv, the loss-making industrial holding company, from BHF-Bank, but later pulled out of the deal. Metallgesellschaft improved turnover in the first six months by 18 per cent to DM7.7bn. *Andrew Fisher*

P&O Nedlloyd makes loss

The newly-formed P&O Nedlloyd yesterday unveiled a first-quarter loss of $31m before interest and other items, but said cost savings from the merger would take effect earlier than expected. It also said the savings would be comfortably above the $200m a year originally forecast.

Yesterday's figures compare with with a pro-forma loss, excluding capital gains, of $13m of the two companies separately in the first 1996 quarter. After interest and other items totalling $11m, the net result before merger costs and tax for the 50:50 joint venture in the first 1997 quarter was a loss of $42m. The figures are unaudited. The combined company expects to achieve savings of $200m a year by the fourth quarter of 1997. Three quarters of cargoes will be booked on a common system by the end of the second quarter. Merger costs will fall mainly in the last nine months of 1997.

Nedlloyd itself announced a trebling of first-quarter net losses to Fl 45m ($23.6m) from a Fl 15m deficit a year earlier. Turnover rose 5.8 per cent to Fl 851m, and operating profits edged up from Fl 10m to Fl 13m. Because of the expected savings from the deal with P&O, the Rotterdam group expects to be in the black for the year as a whole. Attributable earnings for 1996 were Fl 49m. P&O's shares rose ½p to 635½p.

Charles Batchelor, London, Gordon Cramb, Amsterdam

Olivetti sells Synthesis

Olivetti, the troubled Italian information technology group, yesterday said it would sell its Olivetti Synthesis subsidiary, which specialises in designing and making office furniture and fittings, to a group of Italian furniture manufacturers. The sale of this small subsidiary, which employs 280 and had turnover of L66bn ($40bn) last year, is part of Olivetti's strategy of disposing of assets no longer linked to its core businesses of telecommunications and information technology. The company said the sale would not affect 1997 results. *Paul Betts, Milan*

EdP oversubscribed already

Retail investors have already subscribed for 325m shares, more than double the number on offer, in the initial public offering for Electricidade de Portugal, the Portuguese national power utility. Advisers close to the deal – Portugal's biggest privatisation to date – said yesterday retail investors had deposited about Es650bn ($3.81bn) in accounts reserved for EdP stock just three days after the pre-registration period had started. The period runs to May 28, with proportions for retail investors and institutions to be announced on June 5.

The demand from domestic investors is much heavier than the government or bankers had expected. Over the weekend, bankers privately admitted they were surprised by the Es180bn which had already been deposited in the special accounts. The retail demand will increase pressure on the government to expand the size of the issue. So far, 25 per cent of EdP – 150m shares – is scheduled to be sold. However, the offer could well be increased to 30 per cent, or 180m shares. The shares will be priced in a range of Es1,750-Es2,250. *Michael Lindemann, London*

Commerzbank advances

Commerzbank, the German bank, said its operating profits before risk provisions rose 20.5 per cent in the first quarter to DM1.05bn ($620m). Net interest income was 16 per cent higher at DM1.56bn, with net commission income 17 per cent higher at DM717m, mainly as a result of active securities markets. However, financial trading profits fell 25 per cent to DM223m. The bank said this was because the comparative trading profit in the first quarter of 1996 was exceptionally high. Operating expenses increased 7 per cent to DM1.46bn. *Andrew Fisher*

Demand lifts Merck

Merck, the German pharmaceuticals group, yesterday reported a 7 per cent rise in first-quarter net profits, to DM140m ($82.6m), attributed to solid demand in overseas markets. Operating profit climbed 17 per cent to DM279m in the same period. *AFX, Darmstadt*

BNP-I pledges transparency

The chairman of BNP Intercontinentale, a partly-owned subsidiary of Banque Nationale de Paris, yesterday pledged to make more financial information on the company publicly available. Mr Daniel Lebegue was responding to criticism during yesterday's annual meeting from representatives of several of the minority institutions and individual investors, which between them hold 30 per cent of BNP-I. With support from BNP, which holds 70 per cent of the shares, all the resolutions proposed by BNP-I were passed, but shareholders raised a number of questions about the remuneration of the company's board and the level of their independence from BNP. BNP-I's directors – who are largely executives in BNP or I – refused to answer questions about the stock options they held. *Andrew Jack, Paris*

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COMPANIES AND FINANCE: ASIA-PACIFIC

JR West posts modest first results

By Gwen Robinson in Tokyo

West Japan Railway, the second of six railway companies formed through the break-up of the government-owned Japanese National Railway group in 1987, yesterday reported profits and sales which benefited from last year's low interest rates and strong demand for rail services.

In its first annual earnings report since listing in Tokyo in October, West Japan Railway, known as JR West, said consolidated recurring profit rose 0.2 per cent to Y61.6bn ($541.9m) on operating revenues of Y1,209.2bn, up 2.5 per cent. Consolidated after-tax profit surged 80 per cent to Y35.6bn. Return on equity, meanwhile, jumped from 9.4 per cent to 11.5 per cent.

To commemorate its listing last year, JR West said it would add Y1,000 a share to term-end dividends, bringing its annual dividend to Y6,000 against last year's Y5,000.

JR West warned that profits this year would suffer from greater staff costs, leasing payments on some railway lines, and higher fixed property taxes, following the expiration of special tax breaks in March.

Consolidated recurring profit is expected to fall to Y42bn, while after-tax profit will nearly halve to Y18.2bn. Operating revenues, however, are expected to increase to Y1,241.2bn, while capital spending is likely to fall from the previous year's Y150bn to Y118bn.

Analysts say JR West has good prospects, with the scheduled expansion of train lines and new bullet-train services.

The company's share price rose Y1,000 yesterday to Y430,000, up from its listing price of Y360,000.

● Tobu Railway, another leading rail company with interests in property, hotels and other businesses, said recurring profit last year jumped 33.7 per cent to Y16bn, due to the strong performance of its railroad sector, which offset sluggish results in other business areas.

Sales edged up 1.3 per cent to Y249bn, while after-tax profit was virtually unchanged at Y5bn. Revenues from Tobu's mainstay railroad business rose 4.3 per cent to Y157bn, while the division's operating profit surged 30.6 per cent to Y31bn. However, the bus and car transport operations suffered an operating loss.

Collective effort takes Toyota just so far

Toyota's turnround in the past three years has been swift. After profits sank in 1994 to the lowest level the company had seen in 12 years, Japan's largest carmaker has come back with a sharp increase in profits and is marching ahead in its programme for global expansion.

The recovery at Toyota owes much to the reversal in the yen's strength against the US dollar. Yet there is no denying that the carmaker, known for its manufacturing excellence and conservative management, also has an impressive ability to focus on achieving a goal.

It attributes its recovery to group solidarity. "Toyota is a company that is strong in the face of a crisis," says Mr Akira Yokoi, executive vice-president. "There was no Ultra C [superhuman trick], but management and labour both realised that we were facing a major crisis and reacted speedily."

The crisis three years ago was the fall in parent operating profits to under Y80bn for the first time since 1982, giving an embarrassing operating profit margin of 0.9 per cent.

Furthermore, domestic production in 1995 dropped dangerously close to 3m units, which for Toyota is considered the minimum needed to ensure survival without resorting to extreme measures such as lay-offs.

The company embarked on a campaign to cut costs, bring its models closer to market needs and boost production.

Toyota's performance in the year just ended bears some of the fruits of that effort. In the past four years, the company has cut costs by Y540bn. Operating profits have risen to Y517bn and its operating profit margin is a more respectable 5.7 per cent.

Toyota has been conducting an aggressive campaign in the domestic market, backed by huge dealer incentives – which has led one observer to comment that "the company has dropped all semblance of decency".

Its medium-term goal, however, has moved on from improving profitability to selling 6m vehicles worldwide by early next decade.

To that end, it must ensure sales of at least 2.5m units in Japan, 1.3m units in the US, 800,000 in Asia, 800,000 in Europe and 500,000 in the rest of the world, Toyota's Mr Yokoi says.

Overall, Toyota aims to increase overseas production by 560,000 units by 2001.

In North America, Toyota plans to expand production to 1.2m vehicles next year, a level that signals its intention "to be the fourth US automaker", notes Merrill Lynch's Mr Nakanishi.

Toyota is confident its US expansion will pay off. Mr Yokoi thinks US market share of up to 10 per cent – or 1.5m units – is achievable in seven or eight years, compared with its share of 7.5 per cent last year.

It is in Asia and Europe that the biggest uncertainties lie. "If [Toyota's plans for] either one of these markets collapses we won't meet our target," Mr Yokoi notes.

In Europe, where the company is raising output to 200,000 units next year, the lack of a small model that fits in the largest selling segment in Europe is a serious disadvantage, Mr Yokoi admits. To make up for that, Toyota is scouring possible sites in Europe where it might manufacture a one-litre car.

Asian sales meanwhile have reached a plateau and future growth will depend on what happens in China. "If the Chinese economy goes wrong, the whole of Asia will be affected," Mr Yokoi says.

But it is in Japan that many observers still see Toyota's biggest stumbling block. Toyota has yet to achieve its goal of regaining 40 per cent market share.

This year, the company is launching new models that should keep its sales momentum going.

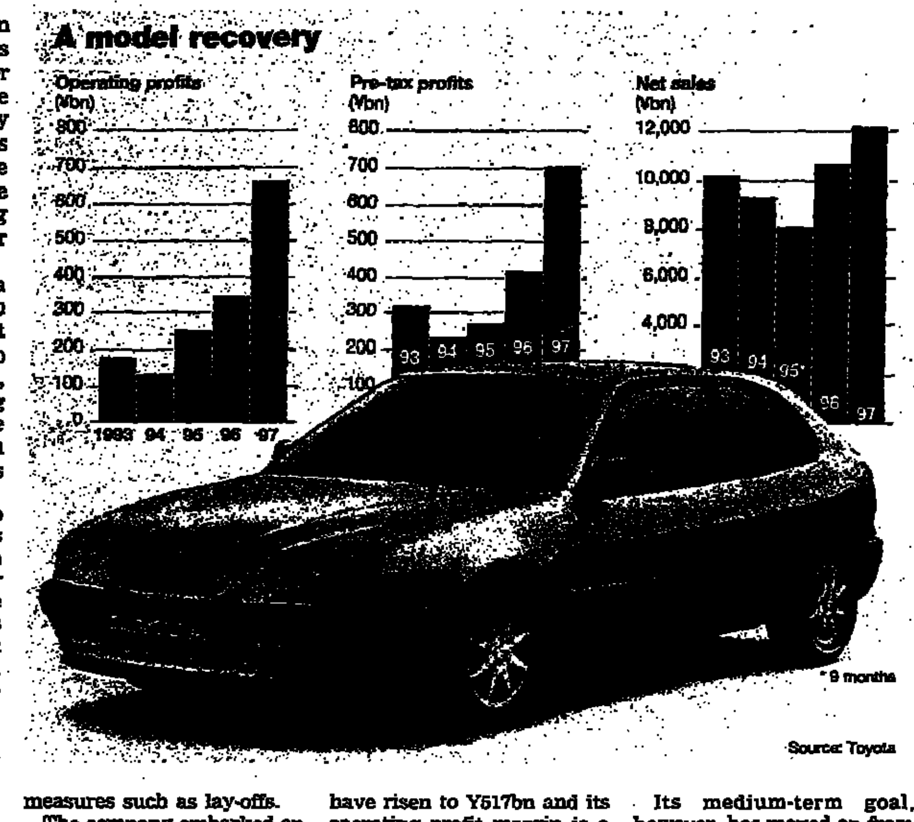
However, a tradition of designing conservative, mass-selling cars has hampered adjustment to an increasingly fickle market, where innovative cars developed by more nimble companies such as Honda and Subaru and imported cars are finding a greater following.

Mr Saul Rubin, industry analyst at SBC Warburg in Tokyo, comments: "Unlike in the past, when consumers bought Toyota because of its reliability and strong brand, these days consumers are more interested in the product, rather than the brand."

The company has boosted its recreational vehicle range to bring it more in line with changing tastes to better compete with rivals, particularly Honda.

Its chances of attaining 40 per cent market share this year, when Honda is taking a breather from recreational vehicle launches, are considered high. But the cost will also be significant.

Michiyo Nakamoto



ASIA-PACIFIC NEWS DIGEST

ICI Australia in Auseon venture

ICI Australia, part of the UK chemicals group, announced yesterday that it intended to merge its Australian vinyls business with that of Auseon, part of the Ohio-based Geon Company, to create a joint venture with annual sales of around A$280m (US$233m). ICI Australia will have a 62.6 per cent interest in the PVC company with Geon holding the remainder.

The deal comes as ICI in the UK is preparing to sell off its 62.4 per cent holding in ICI Australia. However, the Australian company said the joint venture scheme was unrelated to the surprise divestment announcement earlier this month. The deal would be subject to approval by the Australian Competition and Consumer Commission.

Nikki Tait, Sydney

Affiliates boost Orix

Orix, Japan's largest leasing company, said lower interest rates and good performance by overseas offices helped it lift consolidated net profits 5.8 per cent to Y19.04bn ($167.5m). Total group revenues rose 9.5 per cent to Y347.8bn, marginally below expectations, as was pre-tax income, which rose 5.3 per cent to Y36.9bn. The group made a Y57.7bn provision for bad debts, up 24.1 per cent from the previous year's Y46.5bn. Orix said it had wanted to increase the level of provisions while its financial position allowed and in preparation for its planned listing on the New York Stock Exchange.

Revenues were boosted by a 55.2 per cent increase to Y10.3bn in contributions from affiliates, in particular from the company's 40 per cent stake in Stockton, a US-based futures fund trader. Interest expenses fell 6.2 per cent to Y128.6bn, because of low interest rates in Japan and a switch to new funding methods.

The company plans to start an executive share option scheme once it becomes legal in Japan from June.

Bethan Hutton, Tokyo

Balrampur Chini ahead 39%

Balrampur Chini Mills, one of India's largest sugar and distillery groups, unveiled a 39 per cent increase in annual pre-tax profits to Rs271m ($7.6m). Net profits rose 20.8 per cent to Rs236m, after providing Rs35m for tax while net sales were 28 per cent higher at Rs2.31bn.

Earnings per share, after taking into account a bonus issue of three shares for every two shares held, were Rs14.85 compared with Rs26.02 in 1995-96. The results were better than most analysts had expected.

Kunal Bose, Calcutta

Green Cross merger delayed

The planned merger between Yoshitomi and Green Cross, two Japanese pharmaceutical companies, has been postponed to April next year. Yoshitomi said it needed more time to "adjust views on some issues" with Green Cross management.

The merger, which was to have taken place in October, has been seen as a rescue operation for scandal-struck Green Cross. The company was involved in supplying untreated blood products in Japan in the 1980s, which infected many haemophiliacs with HIV.

Bethan Hutton

Yaohan Japan expects loss

Yaohan Japan, the Japanese arm of the Shanghai-based international supermarket chain, has warned that it expects an after-tax loss of Y35.9bn ($316m) for the year ending March 1997, rather than the Y930m profit it initially estimated. It also plans to skip the final dividend this year.

Bethan Hutton

JVC profits advance 142%

Cost-cutting and a weaker yen helped JVC, the Japanese consumer electronics company, post a 142 per cent increase in annual after-tax profits although sales growth was only moderate.

After-tax profits jumped from Y2.5bn to Y6bn ($52.8m) on a non-consolidated basis, while pre-tax profits grew 46 per cent to Y8.1bn. Sales rose 3 per cent to Y580.7bn. Exports accounted for 51 per cent of sales, and export sales were up 5 per cent to Y293.9bn, helped by the weaker yen.

Bethan Hutton

Interest lifts Lippo Bank

Indonesia's Lippo Bank, part of the Lippo Group, said first-quarter net profit rose 44.2 per cent to Rp36.9bn ($15m) on a year ago, boosted by rising interest income.

Income from operations rose 51 per cent to Rp60.8bn while the bank's loans grew 26.8 per cent to Rp7,600bn.

Paulo Scaroni to replace Roger Leverton in reshuffle at UK-based glassmaker

Pilkington chief ousted by board

By Ross Tieman

The chief executive of Pilkington, the UK-based glassmaker, was abruptly ousted yesterday in a boardroom coup engineered by the company's chairman.

Mr Roger Leverton is to be replaced by Mr Paulo Scaroni, the Italian head of the company's automotive operations.

The reshuffle at the top of one of the world's leading glassmakers was agreed unanimously by the non-executive directors, led by chairman Sir Nigel Rudd. They had concluded that a £155m ($250m) restructuring of the company, which has issued three profit warnings in the past year, was going too slowly.

Sir Nigel said: "Roger is a super guy and he has always worked very hard and very diligently, but the non-executive directors felt there needed to be a change in the pace of reorganisation."

It is thought that Mr Leverton, 58, could receive a pay-off approaching £1m. He earned £375,000 a year under a non-mitigation contract that has two years to run. Discussions about a settlement, and pension contributions, are continuing.

Mr Leverton said he was confident that, in time, the benefits of restructuring during his five years as chief executive would be seen.

"I am disappointed that, despite the enormous amount of activity and hard work of many people across the group, the value has not yet come through to shareholders."

Mr Leverton, a former executive of RTZ, the mining company, was brought in by Sir Anthony Pilkington, then chairman, to revive a company with annual sales of £2.8bn that had failed to achieve adequate profitability despite its global reach and renowned technology.

Sir Nigel said that despite considerable efficiency improvements, Pilkington had failed to overhaul competitors such as Saint Gobain of France.

Mr Scaroni, a 49-year-old Italian, was recruited by Pilkington last October to head its automotive glass operation, the world's biggest.

He is a former management consultant, and one-time head of St Gobain's glassmaking operations worldwide.

Courtaulds objects to Spanish plant

By Roger Taylor

Mr Gordon Campbell, chief executive of Courtaulds, the chemicals group, has written to Mr Karel van Miert, EU competition commissioner, objecting to the reopening of a viscose plant in Spain with government aid.

Sniace of Spain, which earlier this year closed a plant capable of producing 30,000 tonnes of viscose a year, is now planning to reopen it with state support.

Mr Campbell said: "There is already too much capacity in this industry. We are the most efficient producer and we are hurting. It must be worse for others."

He said he had not yet received a response from Brussels.

He predicted that if demand did not pick up, further capacity reduction would be inevitable. However, he believed the reductions would come from other less efficient producers.

The news came as the company went some way to restoring investor confidence when it announced an 11 per cent increase in operating profits on continuing business to £166m ($269m), and reported good progress in all divisions.

Analysts, who had downgraded profits forecasts following earlier warnings on the impact of sterling, were relieved that the results were no worse than expected. Some upgraded their recommendation from hold to buy.

The shares rose 24p to 330½p.

Ashley Ashwood

Gordon Campbell: 'There is already too much capacity'

Signet unveils capital restructuring plan

By Christopher Price

Signet has unveiled its long-awaited capital restructuring which will see the interests of ordinary shareholders heavily diluted in favour of preference shareholders.

Shares in the jewellery retailer, which includes the Ernest Jones and H Samuel chains, fell 6p to 30½p.

Signet, which changed its name from Ratners in 1993 after running into financial difficulties, has been under pressure from many of its preference holders to restructure. They are owed £164.5m in dividend arrears.

Some preference holders were particularly angered when Signet pulled out of selling its UK business in September, a move which would have helped reduce the group's large debts.

Under the terms of the complex reconstruction, all classes of preference shares are being converted into 1.4bn new ordinary shares.

These will account for and enjoy the voting rights of 82.5 per cent of the issued share capital. Preference holders currently have only 29 per cent of voting rights. However, in return, they will lose their right to the dividend arrears.

Ordinary shareholders, who currently hold 71 per cent of voting rights, will account for and have rights over 17.5 per cent of the new ordinary shares. More than three-quarters of shareholders must approve the plan with voting taking place under the existing shareholding arrangements.

The reconstruction announcement accompanied the group's annual results which showed an 80 per cent rise in pre-tax profits to £45.1m.

The company pointed out that, under the plan, with after-tax profits of £33.9m and subtracting £31.4m of payments due to preference shareholders, earnings attributable to shareholders would amount to £2.5m. All the after-tax profits would be distributable to shareholders under the reconstruction.

Bass calls for merger approval

By Ross Tieman

Sir Ian Prosser, chairman of Bass, the brewing and leisure group, yesterday called on Mrs Margaret Beckett, the trade and industry secretary, to approve the planned merger of Bass Brewers with Carlsberg-Tetley.

"I think a merger will safeguard jobs and brands," he said. The group remained determined to conclude the deal that would make it the UK's biggest brewer, with about 35 per cent of the market. Sir Ian said Bass would seek to accommodate any official concerns about the impact on competition.

Bass also announced pre-tax profits up 10 per cent to £318m ($515.2m) for the 28 weeks to April 12.

The shares eased 18p to 801p, partly because analysts were disappointed that the £9m contribution from Bass's 50 per cent of Carlsberg-Tetley was not higher.

Last August, Bass agreed to buy Allied Domecq's half of Carlsberg-Tetley for £200m. If approved, Carlsberg will merge its half with Bass Brewers, in exchange for 20 per cent of the brewing business. But publication of a report by the Monopolies and Mergers Commission into the deal was delayed by the general election. Mrs Beckett is now expected to publish the findings, and indicate whether she will allow the deal, in July.

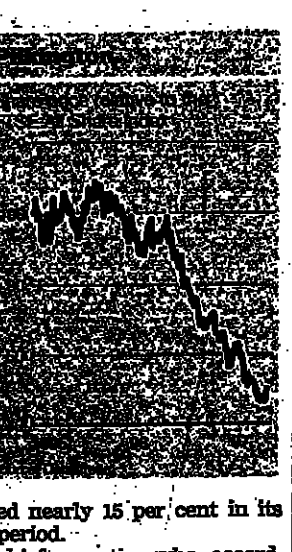
Sales of continuing operations rose 7 per cent to £2.69bn. At the operating level, the best performances came from the pubs and restaurants, which lifted profits 10 per cent to £148m.

Holiday Inn, the group's chain of franchised hotels lifted operating profits just 5.3 per cent to £80m. Sir Ian said the franchised chain would benefit from a $1bn refurbishment programme.

Lex, Page 14

LEX COMMENT

Pilkington



Despite years of rationalisation there are still more people at Pilkington pushing paper than floating glass. That is why Mr Roger Leverton, the group's chief executive, dropped off the production line yesterday. Mr Leverton made nearly £200m of restructuring provisions in the past two years but, in the face of declining glass prices, the cuts have been neither deep enough nor fast enough. Pilkington's average operating margin over the past decade is 9 per cent; St Gobain, its main European rival, managed nearly 15 per cent in its glass division over the same period.

Mr Paolo Scaroni, the new chief executive who, according to his fans is the best thing since smoked glass, will clearly start by taking out another layer of costs. But he may want to think more creatively. It seems bizarre that the European market for building glass, where two companies – St Gobain and Pilkington – control over 50 per cent, should be riven by a price war. Having spent years working for St Gobain, Mr Scaroni ought to be in an ideal position to make sense prevail. The European plasterboard industry, another oligopoly, has boosted its returns massively since abandoning a price war in the early 1990s.

Mr Scaroni's biggest challenge, however, will be to shake up Pilkington's stuffy and rather self-satisfied culture – made worse by its defeat of the BTR bid in 1989. As an outsider and non-family member he stands a good chance. But then the same was said of Mr Leverton in 1992.

NEWS DIGEST

Fenner makes $71.5m buy

Fenner, the engineering group, yesterday said it would become the world's second largest manufacturer of heavy duty conveyor belts after acquiring Scandura Holdings, the US belt manufacturer, for $71.5m.

The UK company, announcing an 8 per cent increase in first-half profits, said the enlarged business would leapfrog rivals such as BTR and Germany's Continental to be second only to Goodyear in supplying conveyor belts to the coal, aggregates and grain industries.

The move follows several months of talks with Scandura, the subject of a $43m buy-out from BBA of the UK almost 18 months ago.

Fenner also reported interim pre-tax profits up from £8.25m to £8.68m ($14m), despite reduced sales of £123.4m (£126.3m) in the six months to February 28. The figures were held back by unfavourable currency translation, which reduced profits by about £700,000 and wiped £10m off the sales line. Operating profits rose from £8.48m to £9.2m, mainly because of sharply improved profits in the conveyor belting division.

Scandura, by comparison, reported profits up from $8.1m to $11.6m on sales of $95.4m ($93.1m) last year.

Fenner is paying $49m in cash for the business – funded partly from borrowings and a £13.5m vendor placing at 145p – and assuming $22.5m of debt. *Tim Burt*

Competition hits Natl Power

National Power, Britain's biggest generator, yesterday disappointed the market by unveiling an 8 per cent fall in annual profits before exceptionals to £740m ($1.2bn).

The market had been expecting profits of about £786m, and the shares fell 17p to 545½p.

National Power said it was experiencing "increasingly competitive" conditions in the UK market, with wholesale electricity prices 4 per cent lower than a year ago.

Its share of England and Wales generation fell from 32 per cent to 24 per cent – almost entirely from the sale of 4,000MW of generating assets to Eastern Group, the UK subsidiary of Energy Group.

Mr Roger Witcomb, finance director, said National Power's earnings over the next couple of years would be "unexciting" until income from foreign investments bolstered earnings.

National Power also said that it should not be subject to the government's proposed windfall tax. It was not a "price regulated" utility, it said. Moreover, the government had owned a 40 per cent stake during the period when there had been most share price appreciation, and was therefore a beneficiary of any windfall that might have occured.

Sales in the year to March 31 fell 10 per cent to £3.4bn (£3.9bn).

Gen Cable plans TV offer

General Cable, the French-controlled cable operator, plans to offer subscribers small packages of television channels later this year, even though this could lead to confrontation with channel owners. The cable company hopes to be able to negotiate new, more flexible agreements with the channel owners but, if that fails, clearly intends to go ahead anyway.

In the quarter to the end of March, General Cable's share of the revenues of operating companies increased 47 per cent to £30.5m ($49.4m). However, the consolidated operating loss deepened from £6.12m to £8.92m, reflecting extra depreciation charges and additional losses following the acquisition of Yorkshire Cable last August. *Raymond Snoddy*

Norwich share pay-out rises

By Christopher Adams, Insurance Correspondent

Nearly two million qualifying members of Norwich Union will each receive a bigger than expected windfall, worth on average more than £1,500 ($2,430), when the insurer floats on the London Stock Exchange next month.

Norwich Union has revised upwards the expected market price of its shares to 240p-290p each, valuing the group at up to £5.6bn. It had earlier forecast that the shares would be priced at 220p-265p.

But the pay-outs will vary widely among the 1.8m members holding so-called "with-profit" policies which pay an annual bonus.

Company pension schemes, which are registered as single members, will receive substantially more because of the amount they have invested. Most individual policyholders will get nearer £1,000.

Mr Allan Bridgewater, chief executive, said yesterday that the increase was due in part to a sharp rise in shares across the financial sector over recent weeks.

The minimum windfall for with-profit policyholders is 300 shares worth up to £870. More than one million members who hold non-profit policies will receive 150 shares.

It is also giving policyholders a discount of 25p per share if they buy additional shares, in an offering designed to raise £1.75bn in new capital.

Members have until June 10 to apply for the new shares, but they will not learn the amount to be paid until after a bookbuilding exercise, designed to tap the institutional market, closes on June 13. Dealings will start three days later.

A prospectus and application forms are being sent out today. For about 700,000 members overseas, including those in the US not allowed to accept shares, up to £670m worth of stock can be swapped for cash.

About £2.4bn of shares are

Bluebird warns as US sales slow down

By Virginia Marsh

Bluebird Toys, the manufacturer of popular miniature dolls, yesterday fell out of favour with the City when a profits warning wiped close to 40 per cent off the company's shares. It came less than three months after a positive trading statement.

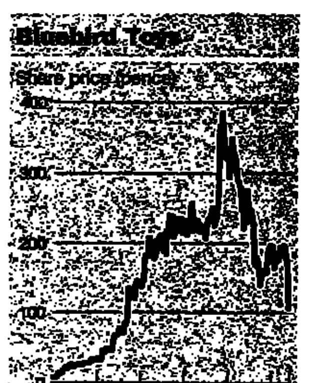
The shares fell 63p to 106½p amid signs that Polly Pocket, a fold-up doll which is the company's core product, may be losing its appeal to retailers in the important North American market.

Mr Chris Burgin, chief executive, said the company's shipments abroad in 1997 would be down on the previous year.

Sales of Polly Pocket were holding up in the UK, but in the US retailers were not holding stocks at expected levels.

The company said that in addition a collection of miniatures it launched a year ago under licence from Walt Disney had not found support among US retailers.

Bluebird's shares peaked at 375p in late 1995 after it announced it would produce Disney playsets with distribution handled, like sales of Polly Pocket, by Mattel, the American toy giant.



Pre-tax profits fell by more than 40 per cent in 1996 to £9.9m ($16.03m) on turnover of £67.7m (£87.7m).

Analysts were told in March, when the 1996 results were reported, that there were signs of improvement this year. Yesterday most analysts marked down their pre-tax forecasts for 1997 from about £13m to £7m.

Mr Burgin insisted the US problems related to marketing Bluebird's products rather than to the popularity of the toys among children.

"We are working closely with Mattel ... Neither of us are ready to throw in the towel yet," he said.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Baggeridge Brick	6 mths to Mar 31	15.9	(14.5)	0.668	(0.724)	1.09	(1.19)	0.75	Aug 6	0.75	-	3.125
Bass	28 wks to Apr 12	2,693	(2,521)	318	(289)	24.8	(21.9)	8.3	July 28	7.7	-	25
Blacks Leisure	Yr to Feb 28	90.8	(68.3)	10.2♠	(2.11♠)	22.57	(5.54)	2.75	Oct 3	1.75	4	2.5
Carlton Comms	6 mths to Mar 31	896	(847.8)	158.6♠	(143.3)	16.6	(15.3)	4.9	Aug 22	4.37	-	11.09
Chamberlin & Hill	Yr to Mar 31	27.6	(27.5)	2.01	(1.73)	18.87	(15.6)	5.5	July 28	5	8.1	7.5
Courtaulds	Yr to Mar 31 ★	2,100	(2,260)	133.6	(130.9)	20.7	(20.1)	11.95	July 31	11.8	16.4	15.9
Fenner	6 mths to Feb 28	123.4	(126.3)	8.68	(8.25)	5.84	(5.61)	1.8§	Aug 1	1.7	-	5
General Cable	3 mths to Mar 31	22.5	(9.69)	11.9L	(6.16L)	3.21†	(2.3L)	-	-	-	-	-
Kiln Capital	Yr to Dec 31 ☆	25.6■	(30.5■)	1.39	(1.76)	3.61	(5.09)	1.4	July 2	2	2.8	4
Land Securities	Yr to Mar 31	405.1□	(400.6□)	243.8♥	(237.6)	34.85	(33.69)	19.65	July 14	18.9	27	26
Merchant Retail	Yr to Mar 29	60.9	(93.2)	1.77	(2.15L♠)	1.43	(3.27L)	0.25	Aug 1	-	0.25	-
Micro Focus	3 mths to Apr 30	18.6	(15.9)	2.06	(8.54L♠)	9.1	(56.9L)	-	-	-	-	-
National Power	Yr to Mar 31	3,535	(3,948)	718♠	(806)	48.9	(51.9)	19	July 31	17.6	25	23
Quadramatic	6 mths to Mar 31	35	(29.5)	6.69	(6.22)	9.2	(9.5)	4.1	July 3	3.8	-	9.3
Signet	Yr to Feb 1	902	(894.7)	45.1	(25)	2.5	(8.4L)	nil	-	nil	nil	nil
Villiers	6 mths to Jan 31	2.41	(0.425)	0.475L	(0.414♥)	0.4L	(0.35)	-	-	-	-	-
Young (H)	6 mths to Mar 31	29.3	(27.3)	1.64	(1.22)	5.7†	(5.5)	1.4	July 10	1.3	-	4.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh	Yr to Mar 31 ★	420.1	(382.9)	38.9	(39.2)	12.56	(13.37)	7.3	July 4	6.75	10.75	10
Fleming Worldwide	Yr to Mar 31	66.76	(56.92)	3.58	(0.014)	4.63	(-)	1.56	June 25	-	4.56	-
Gartmore Scotland	9 mths to Apr 30	323.3	(269.3)	1.09	(1.16)	8.05	(8.54)	2.6‡	Aug 25	2.6	-	11.1
HG 1000 Index	Yr to Mar 31	118.67	(107.92)	0.834	(0.457)	2.07	(1.52)	0.8	July 7	0.75	1.6	1.5
HG Smaller Cos	Yr to Mar 31	163.73	(146.61)	2.38	(1.68)	2.82	(2.35)	1.5	July 7	1.25	2.75	2.25
Mercury Euro Priv	Yr to Mar 31	145.04	(119.93)	21.5	(15)	3.47	(2.59)	1.6	July 7	1.3	2.2	1.9
Tor	9 mths to Apr 30	-	(-)	-	(-)	-	(-)	11‡‡	July 31	10	-	41‡‡

Mission sheds light on universe

Scientists are re-evaluating the facts as they check the Hipparcos satellite's data, says **Bruce Dorminey**

It could have turned into a failure of astronomical proportions, but the European Space Agency's $772m (£477m) Hipparcos mission is being hailed as the biggest single advance in star measurement in almost 400 years.

Thirty years after its conception and a string of mishaps, the Hipparcos (High Precision Parallax Collecting) satellite has mapped well over 1m stars. And last week an international contingent of astronomers converged on a monastery in Venice to debate what the mass of data collected by the satellite means.

Among other things, its recordings of stars' distances, luminosities, positions and movement should help researchers resolve questions on stellar evolution and the age of the universe, even the extinction of the dinosaurs.

The satellite was launched in 1989, but the project was beset by problems before then. There were two years of delays, caused in part by a failure of the Ariane 4 rocket and the bankruptcy of one of the satellite's principal hardware manufacturers.

Then, 36 hours after the launch, one of the satellite's booster rockets failed to drive it into its proper geostationary earth orbit.

Hipparcos ended up circling too close to earth, regularly traversing the Van Allen radiation belts. After nearly four years, they took their toll, causing a complete hardware failure on the satellite in August 1993. But ground controllers made adjustments which enabled Hipparcos to complete measuring its full programme of 118,218 stars at an accuracy equivalent to making out a golf ball across the Atlantic. A second catalogue of 1,038,332 stars was measured at a 10th of that accuracy.

The results have been collated in 17 catalogues – or six CD-Roms – boiled down from 1,000bn bits of information. It was the largest astronomical data analysis operation ever done, involving some 100 scientists working over three years.

The satellite scanned the whole sky 16,000 times, visiting each target star at least 100 times. It used a reflective beam-combining mirror to sweep the sky in great circles, completing a revolution in just over two hours. The resulting primary catalogue is 100 times better than ground-based observations. Astronomers can compare the results with 100-year-old photographic plates to determine where any given star has been and where it is going.

Catherine Turon, an astronomer at Paris-Meudon Observatory who worked out which stars to survey, had to cull 500,000 proposed stars to meet the mission's scientific objectives and ensure that the stars to be measured were evenly distributed across the celestial sphere. Then astronomers at 30 institutes worldwide had to remeasure painstakingly about 100,000 stars for the position as well as 15,000 for the magnitude well in advance of launch. It took them six years.

The mission's results are already generating controversy. Before Hipparcos, a new generation of cosmologists had claimed the universe could be several billion years younger than some of the galaxy's oldest stars. But after Hipparcos, the more conservative thinkers could be vindicated.

The satellite has estimated the oldest Cepheids, variable stars whose luminosity rhythmically fluctuates, to be 15 per cent further away than previously thought, while also more luminous and therefore younger. This would move the age of the universe up to 15bn years while the ages of the oldest Cepheids would be decreased to 11bn years.

By contrast, the Pleiades star cluster was found to be 15 per cent nearer at 116 parsecs (or 378.16 light years) as well as less luminous than previously thought. This contradicts the results of previous observations, and could cause ground-based observers to rethink their methods of calculating stellar distances.

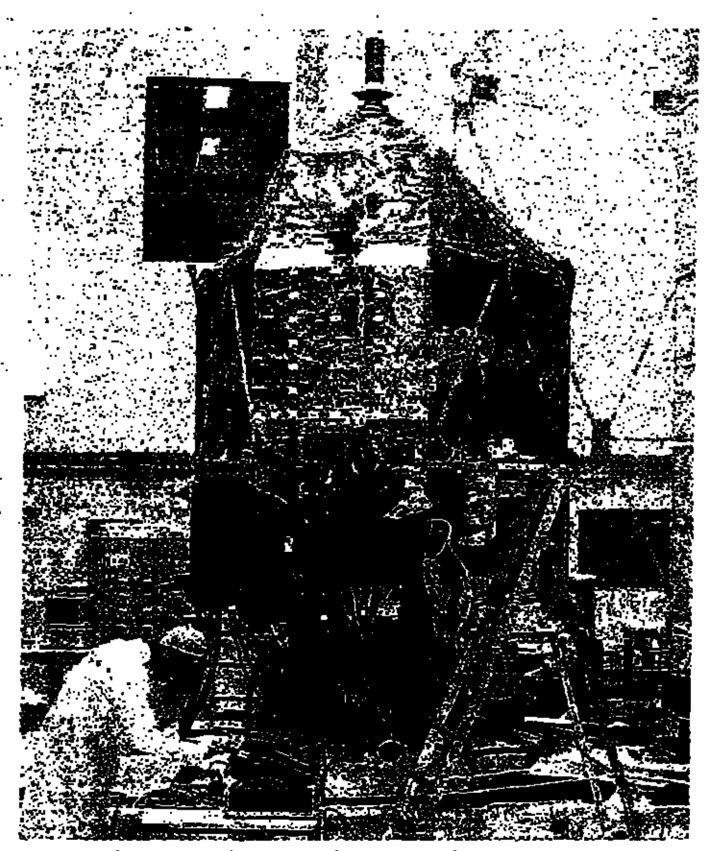
However, David Soderblom, an astronomer at the Hubble Space Telescope Institute in Baltimore, is not willing to give up on ground-based astrophysics which help determine such distances to the Pleiades. It is plausible, he says, that there are some subtle problems with Hipparcos's parallax calculations that have yet to be detected.

In ground-based photometric distance determination, a nearby star's distance is determined in part by matching its colour and chemical content to more distant stars of the same type. By measuring the total amount of luminosity the more distant star generates, its distance can be mathematically extrapolated. Hipparcos used straight triangulation to figure its parallaxes.

"What people like Soderblom are afraid of is that the distance determination methods that they've been relying on for so long are no longer valid," says Floor van Leeuwen, an astronomer at the UK's Royal Greenwich Observatory. "Ground-based photometric observations are less reliable because they involve assumptions. With the Pleiades we see that those assumptions are actually not true."

Even though distance questions are important, Michael Perryman, the mission's project scientist, sees the larger issue as using the data on luminosity to achieve the best three-dimensional placement possible and thereby to further theories of stellar evolution and structure. He views cosmological issues regarding age as "a sideshow".

As for the extinction of the dinosaurs, some theorists believe that stars passing too close to the solar system may be responsible for dislodging millions of comets circling a light year or so outside the solar system in what is known as the Oort Cloud. That could send any wayward comets on a collision course with earth, like that which is believed to have led to the extinction of the dinosaurs. Hipparcos data will be used to trace stars that have travelled past earth in the recent geologic past in hopes of finding the stellar "smoking gun".



Reach for the stars: the Hipparcos flight model being prepared for testing

Men who call the shots

Anyone who assumes the world of science is a model of objectivity and fairness can think again. A paper in today's *Nature* provides evidence that scientists are as prone to "the effects of prejudice and comradeship" as everybody else.

Science is riddled with sexism and nepotism, according to the research which was based on the first-ever analysis of the peer-review process – in which scientists evaluate the grant proposals, job applications and publications of other scientists.

The workings of the peer-review systems are normally private and confidential. But two scientists at Göteborg University in Sweden used the Freedom of the Press Act to force the Swedish Medical Research Council, one of Sweden's main funding bodies, to reveal the scores given by its reviewers to applications for post-doctoral fellowships.

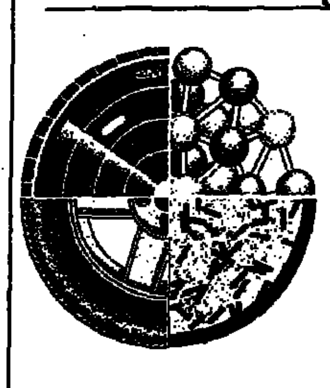
The two researchers analysed these scores by comparing them with six independent criteria of "scientific productivity", such as the number and prominence of the journals in which applicants had published their work.

The results were striking. Women scored markedly lower than the men for the same level of scientific productivity. Applicants with some connection to one of the reviewers scored better than their rivals.

The researchers believe that widespread gender discrimination "could entirely account for the lower success rate of female as compared with male researchers in attaining high academic rank". In Sweden, women are awarded 44 per cent of biomedical doctorates but hold a mere 25 per cent of post-doctoral positions and only 7 per cent of professorial positions. The peer-review system should be overhauled to provide "some built-in resistance to the weaknesses of human nature", the *Nature* paper concludes. "If this is not done, a large pool of promising talent will be wasted."

VH

Worth Watching · Vanessa Houlder



New bus fuel takes to the road

Trials are under way in Georgia of a hydrogen-fuelled bus that produces virtually no emissions.

The bus is one of the first vehicles to store hydrogen fuel in metal hydrides rather than hydrogen fuel cells. When the hydrides are heated using energy from the bus's generator, they slowly release hydrogen gas. The gas fuels a standard internal combustion engine, which drives an electrical generator that keeps the bus's batteries charged.

The H2Fuel bus was developed by a coalition that includes the US Department of Energy, Augusta-Richmond County Public Transport, Westinghouse Savannah River Company and Georgia Institute of Technology.

The bus, which carries 5,000 cu ft of hydrogen, can travel more than 100 miles before refuelling.

Georgia Institute of Technology: tel 4048946980; www.gtri.gatech.edu/rco.html

Key development for French workers

French postal workers in Caen are experimenting with a smartcard electronic sensor key that gives them access to blocks of flats at particular times.

When someone waves a credit card-sized badge next to an antenna mounted next to the door, a control box checks the access rights. The key, which cannot be copied and only works for a specified period, is designed to reduce the problem of lost or stolen keys.

The key was developed by La Poste and France Télécom, while the pilot scheme in Caen is run by La Poste, the post office; EDF-GDF services, the French electricity and gas boards; Ouest-France, a regional newspaper; and Otis, the lift manufacturer. As well as allowing postal workers limited access to the buildings, it allows staff to read meters and carry out repairs.

La Poste: France, tel 141416421; fax 141416455.

A dose of printing technology

US researchers have devised a technique for "printing" drugs into pills using a three-dimensional printing device similar to a computer inkjet printer.

The process involves dropping a precise drug dose on to a thin layer of fine powder in a process that is repeated between 30 and 50 times.

The developers at the Massachusetts Institute of Technology believe the technique can deliver ultra-precise doses. It can also put a cocktail of drugs into a single tablet and make slow-release tablets that deliver very precise doses at different times.

The printing process is to be submitted for approval by the Food and Drug Administration.

Massachusetts Institute of Technology: US, tel 6172532700; web.mit.edu/

Cooking up a way of fixing bumps

Jolts and bumps from badly repaired roads could become less frequent following the development of a microwave-based technique that makes road repairs last longer.

Instead of using heated asphalt to repair the potholes, the technique uses microwaves to heat the area to be fixed and the asphalt used to repair the hole. The Oak Ridge National Laboratory, run by the Department of Energy, which developed the technique says that the advantages of the approach are the strength and seamlessness of the repairs.

The researchers have also used microwave technology to detect cracks and flaws at an early stage by sending a signal into the road and monitoring the reflection.

Oak Ridge National Laboratory: US, tel 4235760226; www.ornl.gov/

INTERNATIONAL CAPITAL MARKETS

Europe loses early gains on US sales

GOVERNMENT BONDS

By Michael Lindemann in London and Jane Martinson in New York

European bond markets started well in early trading, pleased that the US Federal Reserve had not raised interest rates, but plunged later, driven by selling from some leading US investment banks and fears about the European single currency.

"It all went pretty sour at lunchtime," said Mr David Brown, chief European economist at Bear Stearns.

Bond traders said at least two large US investment banks had sold a large number of gilt and bund futures contracts, possibly to cover losses incurred in other markets.

The sales were reported to be partly proprietary and partly on behalf of leading US hedge funds. There were reports, for example, of big losses in the currency markets due to the recent fall in the value of the Thai baht.

Other analysts said the selling spree had been compounded by fears about European Monetary Union following Germany's decision last week to revalue its gold reserves.

"For the international bond investor that's actually quite worrying," said Ms Phyllis Reed, bonds strategist at BZW. "A US investor has to look pretty hard to pick up any yield whatsoever. Italy is the only market likely to benefit from worries about a soft Emu but only to some degree."

Ms Reed said Emu fears were likely to push yields on German bunds higher, contrary to most expectations that yields on Italian BTPs and Spanish bonos would fall to match lower German yields.

GERMAN BUNDS felt the pressure with the June bund future settling at 101.23, down 0.39. "The biggest risk for bund investors is a botched Emu and that's what we are heading for," Ms Reed said.

UK GILTS were not minded to be any different. The June long gilt fell $\frac{17}{32}$ to settle at $112\frac{30}{32}$. Bear Stearns' Mr Brown suggested liquidity in gilts would dry up today and tomorrow ahead of a UK public holiday on Monday.

Demand for the auction of £1.5bn worth of 8% stock due 2021 is expected to be very strong. Mr Andrew Roberts, gilts analyst at UBS said the strong interest would dry up liquidity at the long end of the market and push prices higher.

SPANISH BONOS also lost ground. The June bono future settled at 115.80, down from 116.09.

ITALIAN BTPs also ended lower. The June BTP future settled at 130.45 but fell to 129.90 in after hours electronic trading.

FRENCH OATs moved least of all. The June notional future settled at 129.58, down 0.06.

The market is expected to become more volatile next week, however, once the first round of the French elections is over.

US TREASURY prices were down at mid-session yesterday after the US trade deficit narrowed more than expected and the lower dollar caused uneasiness.

Traders said hedge funds were among the biggest sellers as they unwound positions based on the strong dollar against the yen.

Other sellers included investors who had expected prices for shorter-dated bonds to rise if the Federal Reserve Open Market Committee had raised rates.

The benchmark 30-year note saw the biggest decline, falling $\frac{5}{16}$ to $95\frac{29}{32}$, yielding 6.944 per cent.

The US goods and services trade gap narrowed to $8.51bn in March, below the expected level of $10bn. The figures pointed to stronger growth in the economy although some analysts discounted the information as backward looking and therefore less surprising.

The yield curve, the difference between the two-year and 30-year securities, continued to steepen following the Fed's decision.

With the two-year note falling just $\frac{1}{32}$ to $100\frac{1}{4}$ and yielding 6.216 per cent yesterday, the curve steepened to 73 basis points.

This compares with a difference of less than 65 points before the announcement was made.

Mr John Spinello, government securities strategist at Merrill Lynch, said the "front end was considered fairly priced" especially after Tuesday's decision had lifted fears of an early rate rise.

CAPITAL MARKETS NEWS DIGEST

MOL increases share offering

The secondary offering of shares in MOL, the Hungarian oil and gas group, was last night increased by 2.5 per cent as part of a so-called "greenshoe", or over-allotment, option following strong demand from international and domestic investors. A further 2.46m shares will now be sold, increasing the final size of the offer to 19 per cent of MOL's capital. The proceeds from the sale will total about $304m, making it Hungary's biggest privatisation to date.

Total demand for the international tranche, worth $240m, reached $1.2bn. International investors have been allocated 15 per cent of the offering, or $240m. About 41 per cent of the international tranche has been bought by US investors, while about 35 per cent has taken up by UK-based funds. A further 16 per cent went to continental European investors.

APV, the state-owned privatisation fund, will be left with 39.7 per cent of MOL following the secondary offering. It has said it wants to reduce its holding to 25 per cent and one golden share. *Michael Lindemann*

Woolwich in bond buy-back

Woolwich Building Society yesterday announced it had bought back more than half the outstanding amount of its 11.625 per cent sterling bonds maturing in December 2001. Merrill Lynch, which arranged the transaction, said Woolwich had bought back roughly £105m of the existing £200m of bonds.

The buy-back, announced on Monday, was completed in record time. Investors were allowed to offer bonds at a yield spread of no less than 30 basis points over gilts, representing a price slightly higher than that at which the bonds were trading in the secondary market – a yield spread of about 50 basis points.

When the bonds were issued in 1991 with a 10-year maturity, the proceeds qualified as lower tier 2 capital for regulatory purposes. However, bankers pointed out that the manner in which regulators treat capital becomes less favourable in the last five years of a bonds' life, which would explain the timing of Woolwich's decision. The issuer would not comment on the transaction nor its future funding plans. *Samer Iskandar*

Philippines seeks upgrade

The Philippines is pushing hard for an early further credit rating upgrade following the decision by Standard & Poor's and Moody's Investors Service to lift its rating to one notch below investment grade. Mr Roberto de Ocampo, finance secretary, was quoted as saying he expected that "by the time we have completed the country's reform process, the credit rating agencies will give the Philippines the investment grade it deserves".

Moody's one notch upgrade to Ba1 on Monday followed S&P's decision in February to raise the Philippines' rating by one notch to BB+. *Justin Marozzi, Manila*

Rabobank $250m deal aimed at retail

INTERNATIONAL BONDS

By Samer Iskandar

Hopes that the US Federal Reserve's decision to keep interest rates unchanged would revive the primary bond market were frustrated yesterday, with issuance remaining at relatively low levels.

"We were really surprised not to see more issuance," said a senior banker in London. "Everyone was expecting a flood of new bonds now the FOMC meeting is out of the way."

The day's largest transaction was a $250m issue by **RABOBANK** of the Netherlands. With a maturity of three years, the paper was aimed at retail investors in Switzerland and Italy and, to a lesser extent, the UK.

"Rabobank is one of the most familiar issuers and one of the last remaining triple-A rated banks," said Nikko Europe, the lead manager. "The spread performance has been solid."

DAYA GUNA SAMUDERA, an Indonesian fishing and fish processing company, made its debut through DGS International Finance, a financing vehicle.

Bankers Trust, the lead manager, said the market's response was "very positive". The initial amount of $150m was almost five times oversubscribed, allowing an increase to $225m.

Indonesian corporate bonds have been issued before, mainly by paper pulp producers in the US high-yield bond market. But BT said yesterday's issue was the first from the country to be offered to European and Asian investors, as well as US institutions through the Securities and Exchange Commission' Rule 144a. Bankers said it was encouraging to see emerging market investors from Asia and Europe buying 10-year high-yield paper, a sign of growing credit awareness.

BAYERISCHE VEREINSBANK tapped the lira sector with a rare fixed-rate bond issue. "Most recent issues were floating-rate notes," said a banker in Milan. "But the latest inflation data [indicating a 1.5 per cent annual rate] has made the market more receptive to plain-vanilla deals."

Lead manager Credito Italiano said the deal attracted strong demand from Italian institutional and retail investors. It also reported strong interest from France and Germany, where investors are familiar with the borrower and said investors had been attracted by the deal's combining a higher credit rating than Italy's with a yield of 10 basis points more than BTPs.

● Rheinische Hypothekenbank, the German mortgage bank, is planning the first dollar-denominated global Pfandbrief led by Commerzbank and Morgan Stanley.

Syndicate managers were also speculating that Hungary might issue a debut global bond, possibly with a 10-year maturity and an amount approaching $1bn.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Rabobank Nederland	250	6.375	99.76R	Jun 2000	0.1875R	+2(6⅝%May00)	Nikko Europe
DGS Intl Finance Co(a,l)	225	10.00#	98.438R	Jun 2007	2.00R	+340(6⅝%-07)	Bankers Trust Intl
LB Rheinland-Pfalz(l)	100	6.625	100.02R	Jun 2001	0.225R	+17(6⅝%May00)	BGL/BNP Capital Markets
D-MARKS							
Ka Wah Bank‡	135	(b)	99.90R	Jun 2002	0.25R	-	Dresdner KB
STERLING							
Daily Mail & Gen Tst(c,s)§	75(c1)	2.50#	(c2)	Oct 2004	2.50	-	JP Morgan Securities
ITALIAN LIRE							
Bayerische Vereinsbank	300bn	6.625	101.825	Jul 2002	1.875	-	Credito/Monte dei Paschi
GUILDERS							
Wolters Kluwer	500	6.25	99.93R	Jun 2007	0.50R	+55(i)	Rabobank International
ECU							
Crédit Local de France(d)	100	5.375	101.60	Jul 2003	1.875	-	BIL
AUSTRALIAN DOLLARS							
Ford Credit Canada(l)	100	7.75	101.715	Jun 2002	2.00	-	ABN Amro/CIBC WG
LB Schleswig-Holstein(s)	100	7.25	101.20	Dec 2001	1.75	-	Toronto Dominion Bank
DANISH KRONER							
Statkraft(l)	400	5.50	101.80	Dec 2002	1.875	-	Den Danske Bank
RAND							
World Bank	200	14.625	99.90R	Jun 2000	0.1875R	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Callable from 1/6/02 at 105% falling 1⅝% pa to par. b) 6-mth Libor +50bp. c) Exchangeable into shares of Reuters Holdings at 14–18% premium. Pricing by Friday. Callable from 18/10/02 at accreted value. c1) Approx. c2) 78.2–80.8%. d) Payments in Ecu prior to Emu. i) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupo

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.8798	−0.130	7.67	7.77	7.96
Austria		5.750	04/07	99.1600	−0.470	5.86	5.70	5.98
Belgium		6.250	03/07	102.4500	−0.180	5.91	5.78	6.07
Canada *		7.000	12/06	103.7500	+0.350	6.47	6.54	6.94
Denmark		8.000	03/06	110.8000	−0.220	6.36	6.24	6.66
France	BTAN	4.750	03/02	100.0784	−0.130	4.73	4.60	4.86
	OAT	5.500	04/07	98.3400	−0.450	5.72	5.54	5.82
Germany Bund		6.000	07/07	100.7800	−0.630	5.89	5.66	5.96
Ireland		8.000	08/06	108.9400	−0.490	6.67	6.53	6.86
Italy		6.750	02/07	97.6000	−0.280	7.09†	7.13	7.59
Japan	No 145	5.500	03/02	116.3474	−0.420	1.82	1.82	1.45
	No 182	3.000	09/05	102.8794	−0.780	2.58	2.54	2.16
Netherlands		5.750	02/07	99.9600	−0.320	5.75	5.58	5.86
Portugal		9.500	02/06	120.4000	−0.010	6.38	6.39	6.82
Spain		7.350	03/07	105.8000	−0.140	6.52	6.50	6.93
Sweden		8.000	08/07	107.5396	+0.070	6.94	6.94	7.21
UK Gilts		7.000	08/02	100–00	−7/32	7.00	6.85	7.35
		7.250	12/07	100–23	−14/32	7.15	6.95	7.68
		9.000	10/08	113–24	−16/32	7.21	7.01	7.77
US Treasury *		6.625	05/07	99–10	+3/32	6.72	6.64	6.98
		6.625	02/27	95–29	−4/32	6.95	6.87	7.18
ECU (French Govt)		7.000	04/06	106.7400	−0.380	6.00	5.88	6.19

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.23
Prime rate	8½	Two month	-	Three year	6.39
Broker loan rate	7¼	Three month	5.17	Five year	6.55
Fed.funds	5⅝	Six month	5.47	10-year	6.70
Fed.funds at intervention	-	One year	5.78	30-year	6.94

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	129.98	129.58	−0.06	130.14	129.46	138,276	163,808
Sep	128.40	128.00	−0.06	128.50	128.06	1,332	14,653
Dec	97.82	97.42	−0.06	97.82	97.82	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (May 16)

Strike Price	CALLS Jun	CALLS Jul	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Sep
127	2.60	1.50	1.92	0.02	0.51	0.93
128	1.65	0.86	1.34	0.07	0.86	1.34
129	0.82	0.43	0.84	0.24	1.42	1.83
130	0.24	0.17	0.48	0.66	-	-
131	0.06	0.06	0.26	1.47	-	3.24

Est. vol. total, Calls 9,843 Puts 15,998. Previous day's open int., Calls 128,495 Puts 168,772.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.84	101.23	-0.39	101.95	100.95	311746	258131
Sep	100.82	100.19	-0.40	100.86	99.93	7943	31513

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
10100	0.28	0.32	0.56	0.74	0.05	1.13	1.37	1.55
10150	0.05	0.19	0.39	0.55	0.32	1.50	1.70	1.86
10200	0.01	0.11	0.26	0.40	0.78	1.92	2.07	2.21

Est. vol. total, Calls 32110 Puts 26706. Previous day's open int., Calls 244603 Puts 297060

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	130.98	130.45	-0.44	131.40	129.73	90385	107087
Sep	131.76	130.99	-0.49	131.90	130.33	4581	11948

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
13000	0.45	2.61	0	1.62
13050	0	2.30	0.05	1.81
13100	0	2.01	0.55	2.02

Est. vol. total, Calls 5732 Puts 4103. Previous day's open int., Calls 107358 Puts 128552

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	116.20	115.80	−0.29	116.64	115.75	135,943	77,698
Sep	115.43	115.03	−0.19	115.80	115.12	1,706	4,153

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113-20	112-30	-0-17	113-23	112-20	140636	210804
Sep	113-29	113-06	-0-17	113-30	112-30	4296	18296

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
112	0-61	1-46	2-06	2-25	0-01	0-34	0-58	1-13
113	0-12	1-06	1-34	1-51	0-16	0-58	1-22	1-39
114	0-01	0-41	1-05	1-20	1-05	1-29	1-57	2-08

Est. vol. total, Calls 4511 Puts 3313. Previous day's open int., Calls 74445 Puts 59732

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	95.98	95.70	−0.04	96.10	95.70	1,377	5,658
Sep	-	95.32	−0.04	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	110-01	109-24	−0-03	110-08	109-20	114,103	458,912
Sep	109-21	109-12	−0-03	109-27	109-09	7,696	73,004
Dec	109-06	108-30	−0-04	109-08	108-28	933	25,972

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	123.30			123.80	123.29	8919	n/a
Sep	122.01			122.50	121.99	3163	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed May 21	Day's change %	Tue May 20	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.97	−0.05	120.03	2.05	4.81
2 5-15 years (21)	153.18	−0.28	153.58	3.28	3.79
3 Over 15 years (6)	179.55	−0.34	180.15	6.13	3.16
4 Irredeemables (5)	204.04	−0.60	205.26	0.79	7.10
5 All stocks (51)	147.14	−0.21	147.45	3.31	4.19

UK Indices

	Low coupon yield May 21	May 20	Yr. ago	Medium coupon yield May 21	May 20	Yr. ago	High coupon yield May 21	May 20	Yr. ago
5 yrs	7.01	6.98	7.43	7.08	7.03	7.47	7.13	7.09	7.57
15 yrs	7.19	7.14	8.15	7.21	7.16	8.17	7.19	7.16	8.26
20 yrs	7.24	7.19	8.23	7.21	7.18	8.23	7.19	7.16	8.30
Irred.†	7.35	7.30	8.27						

Index-linked	Wed May 21	Day's change %	Tue May 20	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	204.81	−0.07	204.97	0.83	3.03
7 Over 5 years (10)	197.10	−0.20	197.48	1.19	2.86
8 All stocks (12)	196.84	−0.18	197.20	1.15	2.86

	Inflation 5% May 21	May 20	Yr. ago	Inflation 10% May 21	May 20	Yr. ago
Up to 5 yrs	3.39	3.37	2.79	2.72	2.69	1.29
Over 5 yrs	3.60	3.58	3.80	3.36	3.36	3.58

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 21	May 20	May 19	May 16	May 15	Yr ago	High*	Low*
Govt. Secs. (UK)	96.50	96.72	96.60	96.88	97.32	92.29	97.51	93.31
Fixed Interest	120.88	120.96	120.97	121.53	121.56	112.1	121.56	115.32

Gilt Edged Activity Indices

	May 20	May 19	May 16	May 15	May 14
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 21

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅞	98⅛	+⅛	6.94
ABN Amro Bank 7¼ 05	1000	100	100¼		7.38
Spain 7¼ 03	4000	110	110⅛	−⅛	5.20
Volkswagen Intl Fin 7 03	1000	107⅝	107¾	−¼	5.48
World Bank 5⅞ 03	3000	103⅝	103¾	−⅛	5.19
Abbey Natl Treasury 8 03 £	1000	102	102¼	−¼	7.56
British Land 8⅞ 23 £	150	105	105½	−⅛	8.49
Denmark 6¼ 98 £	800	99⅝	99¾		7.03
[illegible]					

NOTES TO ISMA TABLE: [illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		6.99	6.26	100⅛		101⅛	100⅛
Treas 8¾pc 1997‡‡		8.70	6.22	100⅝		107⅜	100⅝
Exch 15pc 1997		14.48	6.29	103⅝	−⅛	114⅞	103⅜
Exch 9¾pc 1998		9.54	6.45	102⅛		106⅜	100⅛
Treas 7¾pc 2006‡‡		7.47	7.18	103⅜			
Treas 8pc 2002-6‡‡		7.77	7.25	102⅝			
Treas 11¾pc 2003-7		9.70	7.15	121⅛			
Treas 8½pc 2007 ‡‡		7.77	7.18	109⅜			
[illegible]							

Other Fixed Interest

[illegible]

* "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

Dollar gains after drop on Fed news

MARKETS REPORT

By Simon Kuper

The dollar rebounded yesterday from the lows it hit after the Federal Reserve left US interest rates unchanged on Tuesday. The dollar recovered on the market's belief that the Fed would raise rates later, on better than expected US trade figures and on the fall in the Swiss franc.

The market had been divided almost fifty-fifty over whether the Fed would raise. When it did not, the dollar initially fell to just above Y112 against the yen and to DM1.6720 against the D-Mark. At that point it had lost Y15 against the Japanese currency in 15 days.

But Eurodollar futures contracts, showing the expected future levels of US interest rates, moved little after the Fed's statement. This indicated that the market still expects rate increases of 25 to 50 basis points by the end of 1997.

A 19 per cent fall in the US trade deficit for March surprised the market and buoyed the dollar, even though the crucial bilateral deficit with Japan rose 8 per cent. It was also reported that US gross domestic product figures for the first quarter, already strong, would be revised upwards.

The dollar stood at Y113.8 to the yen and DM1.690 to the D-Mark late yesterday.

The Irish punt was at DM2.554 late yesterday, down 4.6 pfennigs from Tuesday's London close on reports that an investment bank was about to release a report predicting a punt slide in the run-up to European monetary union.

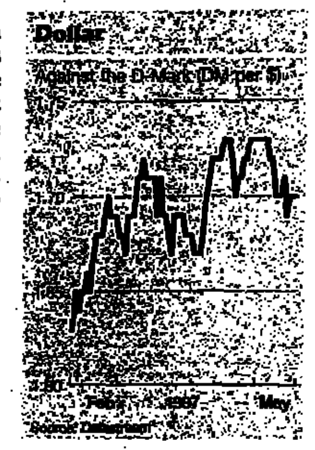
■ Pound in New York

May 21	—Latest—	— Prev. close —
£ spot	1.6465	1.6570
1 mth	1.6456	1.6561
3 mth	1.6437	1.6545
1 yr	1.6355	1.6475

■ The Swiss franc fell from six-and-a-half month highs against the D-Mark after the Swiss National Bank said it was adding liquidity to the money market and would continue to do so as long as the currency remained so strong. The Swiss franc dropped to SFr0.833 against the D-Mark and to SFr1.413 against the dollar.

Mr Hans-Gunter Redeker, senior economist at Chase in London, said that with most forecasters expecting Swiss GDP growth of 0.3 per cent for 1997, Switzerland had to rely on exports to warm up the economy.

The Swiss franc had risen in recent days because of its role as a safe haven from worries over monetary union. Last week Germany mooted plans to revalue its gold reserves in order to meet the criteria for Emu entry. The move, seen by many as creative accounting, prompted fears that Italy and Spain in particular would be allowed to meet the criteria through "fudges". Fears that the future euro would be a weak currency prompted flows into the Swiss franc. The Swissie had also gained on the dollar's recent slide, as many traders had funded earlier purchases of dollars by borrowing Swiss francs.



But Mr Jim O'Neill, chief currency economist at Goldman Sachs, told a Goldman foreign exchange conference in London yesterday that he continued to recommend selling the Swiss franc. The currency could fall 10 per cent, he said, because of the weak Swiss economy.

■ Mr O'Neill forecast that the dollar would continue its recent spectacular slide – sharper than its fall after the 1985 Plaza Accord, he noted. The yen would keep rising with the Japanese trade surplus. "The real thing to follow with respect to the yen, as it always is on a longer term basis, is developments with respect to Japan's current account balance."

However, the yen's upward trend was clearer against the D-Mark than against the dollar. "Yen/D-Mark has broken through all the moving averages," Mr O'Neill said. He also recommended buying the Finnish markka, and selling the pound and the New Zealand dollar, "a pretty dangerous place to keep spare cash" given that New Zealand's current account deficit was the biggest in the OECD.

■ Mr Tony Norfield, treasury economist at ABN-Amro in London, noted that the average rate at yesterday's Czech National Bank's repo tender was 105.09 per cent. Short term deposit and lending rates have soared as the bank has defended the koruna. Such rate levels could be hard to sustain in the long term, Mr Norfield said. But he forecast that the bank would manage to avert devaluation, because better Czech economic data were expected in June.

■ OTHER CURRENCIES

May 21	£	$
Czech Rp	50.3028 - 50.4014	30.5180 - 30.5630
Hungary	298.194 - 298.421	180.810 - 180.960
Iran	4947.30 - 4944.90	3000.00 - 3000.00
Kuwait	0.4966 - 0.4970	0.3013 - 0.3014
Poland	5.1930 - 5.2004	3.1505 - 3.1536
Russia	9485.97 - 9493.87	5755.00 - 5757.00
U.A.E.	6.0535 - 6.0573	3.6726 - 3.6731

WORLD INTEREST RATES

MONEY RATES

May 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 5/32	3¼	3 7/32	3 5/16	3 7/16	6.00	2.50	-
France	3⅛	3⅛	3⅛	3 3/16	3 5/16	3.10	-	4.75
Germany	3 1/16	3	3	3⅛	3 5/32	4.50	2.50	3.00
Ireland	6⅝	6¼	6¼	6⅜	6 5/16	-	-	6.75
Italy	6 29/32	6 27/32	6 25/32	6 5/8	6 7/16	8.25	6.75	6.78
Netherlands	2	3 3/32	3 3/32	3¼	3 11/32	-	3.00	3.30
Switzerland	1⅜	1 9/16	1⅝	1 21/32	1 13/16	-	1.00	-
US	5½	5⅝	5 23/32	5⅞	6⅛	-	5.00	-
Japan	⅛	½	½	19/32	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 21/32	5 13/16	5 31/32	6 5/32	-	-	-
US Dollar CDs	-	5.48	5.59	5.70	5.98	-	-	-
ECU Linked Ds	-	4 1/32	4 3/32	4⅛	4 5/32	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	3 15/16	-	-	-

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¾ - 3¼	3 9/32 - 3 5/32	3 9/32 - 3 7/32	3⅜ - 3¼	3½ - 3⅜	3 19/32 - 3 15/32
Danish Krone	3¾ - 3½	3 11/16 - 3½	3 21/32 - 3 17/32	3⅝ - 3½	3 23/32 - 3⅝	3 27/32 - 3 23/32
German Mark	3⅛ - 2 15/16	3⅛ - 3	3⅛ - 3	3 5/32 - 3 1/32	3 7/32 - 3⅛	3 11/32 - 3 7/32
Dutch Guilder	2⅛ - 2	3 3/32 - 3	3 3/16 - 3 1/16	3 3/16 - 3 3/32	3 5/16 - 3 3/16	3 15/32 - 3 11/32
French Franc	3 7/16 - 3⅛	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 7/16 - 3 11/32	3½ - 3 13/32	3 9/16 - 3 7/16
Portuguese Esc.	6 29/32 - 5 13/16	5 31/32 - 6 13/32	5 29/32 - 5 25/32	5 13/16 - 5 11/16	5 13/16 - 5¾	5 13/16 - 5¼
Spanish Peseta	5 15/16 - 5 3/16	5 11/32 - 5¼	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5 5/16 - 5 3/16
Sterling	6 5/16 - 6¼	6 5/16 - 6¼	6 5/16 - 6¼	6 7/16 - 6⅜	6⅝ - 6 9/16	6⅞ - 6 27/32
Swiss Franc	1⅝ - 1⅛	1⅝ - 1½	1⅝ - 1½	1 11/16 - 1 9/16	1 23/32 - 1 19/32	1¾ - 1⅝
Canadian Dollar	3 1/16 - 2⅞	3 1/16 - 2 29/32	3 3/32 - 3 1/32	3¼ - 3	3 13/32 - 3 13/32	3 21/32 - 3 17/32
US Dollar	5 15/32 - 5 3/16	5 19/32 - 5 15/32	5 21/32 - 5 9/16	5 25/32 - 5 21/32	5 31/32 - 5 27/32	6 3/16 - 6 1/16
Italian Lira	7 13/16 - 6 13/16	6⅞ - 6¾	6 13/16 - 6⅝	6⅝ - 6 17/32	6⅝ - 6 17/32	6 19/32 - 6⅜
Japanese Yen	½ - 13/32	17/32 - ½	17/32 - 7/16	15/32 - 7/16	⅝ - 17/32	25/32 - 21/32
Asian $Sing	4⅛ - 4	5⅜ - 4⅞	4⅞ - 4⅜	4 9/16 - 4 7/16	4⅝ - 4⅛	4 11/16 - 4 7/16

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.52	96.51	+0.02	96.54	96.50	19,593	44,422
Sep	96.54	96.52	+0.01	96.55	96.51	8,863	56,533
Dec	96.51	96.48	-	96.52	96.48	3,867	33,791

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.80	96.80	-	96.81	96.79	17210	235585
Sep	96.73	96.73	+0.01	96.74	96.70	21056	208874
Dec	96.61	96.59	-	96.61	96.55	27772	232867
Mar	96.46	96.45	-	96.48	96.41	38373	209761

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		96.82	-			0	1525
Jul	96.82	96.82	+0.01	96.82	96.82	100	300
Aug		96.80	-			0	119
Sep		96.79	-			0	3

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.38	93.38	+0.01	93.43	93.33	19368	103511
Sep	93.71	93.70	-0.01	93.76	93.66	15964	90347
Dec	93.84	93.85	-	93.91	93.83	5436	53198
Mar	93.90	93.91	-	94.00	93.90	3174	33545

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.35	98.41	+0.08	98.44	98.35	12386	48884
Sep	98.34	98.41	+0.08	98.44	98.34	21360	49773
Dec	98.18	98.25	+0.07	98.28	98.16	7863	26651
Mar	98.09	98.12	+0.07	98.15	98.07	807	10645

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.36	99.36	-	99.36	99.35	260	n/a
Sep	99.18	99.14	-0.04	99.18	99.18	200	n/a
Dec	98.92	98.90	-0.06	98.92	98.90	485	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.86	95.86	-	95.88	95.85	571	7636
Sep	95.87	95.88	+0.01	95.87	95.85	769	5947
Dec	95.80	95.79	+0.01	95.82	95.78	880	5555
Mar	95.72	95.70	-	95.72	95.69	438	3345

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.19	0.54	0.73	0.06	0.09	0.13
9350	0.06	0.36	0.55	0.18	0.16	0.20
9375	0.01	0.21	0.39	0.38	0.26	0.29

Est. vol. total, Calls 12836 Puts 3006. Previous day's open int., Calls 157609 Puts 79538

POUND SPOT FORWARD AGAINST THE POUND

May 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6696	+0.0368	586 - 806	19.8031	19.5367	19.6161	3.3	19.5281	2.9	-	-	102.9
Belgium	(BFr)	57.6716	+0.105	246 - 185	57.9070	57.1950	57.5166	3.2	57.2016	3.3	55.7716	3.3	102.9
Denmark	(DKr)	10.6407	+0.0182	365 - 449	10.6906	10.5435	10.6152	2.9	10.5827	2.9	10.3412	2.8	105.4
Finland	(FM)	8.4456	+0.0401	373 - 538	8.4620	8.3420	-	-	-	-	-	-	81.8
France	(FFr)	9.4116	+0.0168	085 - 147	9.4547	9.3092	9.3874	3.1	9.3395	3.1	9.1169	3.1	105.8
Germany	(DM)	2.7945	+0.0052	930 - 960	2.8075	2.7673	2.7889	3.3	2.7709	3.4	2.7006	3.4	104.1
Greece	(Dr)	444.481	+0.858	266 - 696	447.881	440.264	-	-	-	-	-	-	65.1
Ireland	(I£)	1.0883	+0.0155	873 - 892	1.0895	1.0724	1.0884	-0.1	1.0874	0.3	1.0804	0.7	97.9
Italy	(L)	2749.95	+4.51	838 - 152	2763.84	2726.25	2751.85	-0.8	2753.25	-0.5	2739.35	0.4	76.3
Luxembourg	(LFr)	57.6716	+0.105	246 - 185	57.9070	57.1950	57.5166	3.2	57.2016	3.3	55.7716	3.3	102.9
Netherlands	(Fl)	3.1416	+0.0053	400 - 432	3.1552	3.1155	3.1331	3.2	3.1151	3.4	3.037	3.3	102.6
Norway	(NKr)	11.6135	+0.0029	065 - 204	11.7512	11.6023	11.583	3.2	11.5235	3.1	11.2775	2.9	98.1
Portugal	(Es)	281.458	+0.776	348 - 567	282.848	279.242	281.308	0.6	280.933	0.7	-	-	93.8
Spain	(Pta)	235.377	+0.618	295 - 459	236.480	233.540	235.217	0.8	234.777	1.0	232.022	1.4	77.9
Sweden	(SKr)	12.4395	-0.0127	307 - 482	12.5250	12.3408	12.418	2.1	12.37	2.2	12.176	2.1	84.8
Switzerland	(SFr)	2.3290	+0.0148	277 - 303	2.3372	2.2780	2.3197	4.8	2.3005	4.9	2.2186	4.8	105.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.1
Ecu	-	1.4306	+0.0031	298 - 318	1.4378	1.4182	1.4282	2.2	1.4223	2.4	1.3951	2.5	-
SDR†	-	1.17608	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6484	+0.0029	480 - 488	1.6595	1.6482	-	-	-	-	-	-	-
Brazil	(R$)	1.7620	+0.0041	614 - 626	1.7725	1.7598	-	-	-	-	-	-	-
Canada	(C$)	2.2529	-0.0067	519 - 538	2.2663	2.2485	2.2466	3.3	2.2352	3.1	2.1934	2.6	85.3
Mexico	(New Peso)	12.9629	-0.0209	556 - 702	13.0686	12.9537	-	-	-	-	-	-	-
USA	($)	1.6487	+0.003	483 - 491	1.6598	1.6465	1.6479	0.6	1.6462	0.6	1.6404	0.5	101.5
Pacific/Middle East/Africa													
Australia	(A$)	2.1050	-0.0228	038 - 061	2.1415	2.0989	2.1044	0.3	2.1025	0.5	2.0924	0.6	85.5
Hong Kong	(HK$)	12.7577	+0.0216	537 - 616	12.8387	12.7429	12.7517	0.6	12.7411	0.5	12.7064	0.4	-
India	(Rs)	58.9888	+0.1115	432 - 543	59.3960	58.9350	-	-	-	-	-	-	-
Israel	(Shk)	5.5946	+0.0101	881 - 010	5.6273	5.5853	-	-	-	-	-	-	-
Japan	(Y)	188.348	+1.281	236 - 459	189.610	186.670	187.288	6.8	185.278	6.5	176.463	6.3	132.2
Malaysia	(M$)	4.1226	+0.0083	208 - 244	4.1495	4.1179	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3707	-0.0066	689 - 725	2.3887	2.3694	2.3705	0.1	2.3715	-0.1	2.3786	-0.3	112.7
Philippines	(Peso)	43.4845	+0.0833	409 - 280	43.7445	43.4400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1836	+0.0114	818 - 853	6.2246	6.1755	-	-	-	-	-	-	-
Singapore	(S$)	2.3595	+0.0053	581 - 609	2.3735	2.3567	-	-	-	-	-	-	-
South Africa	(R)	7.3499	-0.0014	456 - 542	7.4035	7.3422	-	-	-	-	-	-	-
South Korea	(Won)	1468.99	+2.67	451 - 347	1478.55	1464.15	-	-	-	-	-	-	-
Taiwan	(T$)	45.8422	+0.1353	898 - 945	46.1806	45.7671	-	-	-	-	-	-	-
Thailand	(Bt)	41.5967	+0.2731	042 - 892	42.6170	41.3620	-	-	-	-	-	-	-

† Rates for May 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.9304	+0.0006	266 - 341	11.9400	11.8015	11.9079	2.3	11.8592	2.4	11.6104	2.7	102.6
Belgium	(BFr)	34.9800	-	600 - 000	35.0000	34.5800	34.905	2.6	34.75	2.6	34.01	2.8	102.8
Denmark	(DKr)	6.4540	-0.0007	530 - 550	6.4577	6.3698	6.4422	2.2	6.4175	2.3	6.3055	2.3	104.7
Finland	(FM)	5.1226	+0.015	188 - 263	5.1263	5.0400	5.1107	2.8	5.0863	2.8	4.9781	2.8	81.4
France	(FFr)	5.7085	-0.0002	080 - 090	5.7137	5.6290	5.6968	2.4	5.6741	2.4	5.559	2.6	105.2
Germany	(DM)	1.6950	+0.0001	945 - 955	1.6965	1.6725	1.6913	2.6	1.6836	2.7	1.6467	2.9	103.6
Greece	(Dr)	269.595	+0.03	530 - 660	270.100	265.940	270.48	-3.9	272.02	-3.6	278.295	-3.2	64.7
Ireland	(I£)	1.5150	-0.019	140 - 160	1.5445	1.5131	1.5143	0.5	1.5137	0.3	1.5105	0.3	-
Italy	(L)	1667.95	-0.3	740 - 850	1673.75	1648.18	1669.85	-1.4	1672.55	-1.1	1674.83	-0.4	76.1
Luxembourg	(LFr)	34.9800	-	600 - 000	35.0000	34.5800	34.905	2.6	34.75	2.6	34.01	2.8	102.8
Netherlands	(Fl)	1.9055	-0.0003	050 - 060	1.9073	1.8822	1.9014	2.6	1.8928	2.7	1.8523	2.8	102.5
Norway	(NKr)	7.0440	-0.0111	415 - 465	7.0940	6.9500	7.0267	2.9	7.0012	2.4	6.8755	2.4	97.1
Portugal	(Es)	170.715	+0.16	690 - 740	171.610	169.400	170.7	0.1	170.635	0.2	169.325	0.8	94.3
Spain	(Pta)	142.765	+0.115	750 - 780	142.820	141.200	142.765	0.0	142.688	0.2	141.43	0.9	77.5
Sweden	(SKr)	7.5450	-0.0215	415 - 485	7.5710	7.4573	7.5356	1.5	7.515	1.6	7.4205	1.7	84.3
Switzerland	(SFr)	1.4127	+0.0065	122 - 131	1.4155	1.3760	1.4079	4.1	1.3981	4.1	1.3524	4.3	105.9
UK	(£)	1.6487	+0.003	483 - 491	1.6598	1.6465	1.6479	0.6	1.6462	0.6	1.6404	0.5	98.5
Ecu	-	1.1523	-0.0005	518 - 528	1.1683	1.1514	1.1538	-1.5	1.1571	-1.7	1.1747	-1.9	-
SDR†	-	0.714838	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	998 - 998	0.9998	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	1.0687	+0.0005	686 - 688	1.0688	1.0682	-	-	-	-	-	-	-
Canada	(C$)	1.3665	-0.0066	662 - 667	1.3689	1.3614	1.3636	2.6	1.358	2.5	1.339	2.0	84.3
Mexico	(New Peso)	7.8625	-0.027	600 - 650	7.8880	7.8600	7.971	-16.6	8.1725	-15.8	9.1675	-16.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.4
Pacific/Middle East/Africa													
Australia	(A$)	1.2767	-0.0182	763 - 771	1.2902	1.2754	1.2771	-0.4	1.2772	-0.2	1.2762	0.0	96.3
Hong Kong	(HK$)	7.7380	-0.001	375 - 385	7.7390	7.7357	7.739	-0.2	7.7405	-0.1	7.7505	-0.2	-
India	(Rs)	35.7850	+0.0025	600 - 100	35.8150	35.7600	35.875	-3.0	36.16	-4.2	33.965	5.1	-
Israel	(Shk)	3.3933	-0.0001	902 - 964	3.3964	3.3768	-	-	-	-	-	-	-
Japan	(Y)	114.240	+0.57	200 - 280	114.450	112.640	113.685	5.8	112.58	5.8	107.68	5.7	133.6
Malaysia	(M$)	2.5005	+0.0005	000 - 010	2.5010	2.4970	2.5028	-1.1	2.5069	-1.0	2.5238	-0.9	-
New Zealand	(NZ$)	1.4379	-0.0067	372 - 386	1.4391	1.4371	1.4387	-0.7	1.4411	-0.9	1.4512	-0.9	-
Philippines	(Peso)	26.3750	+0.0025	550 - 950	26.3950	26.3550	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7507	3.7500	3.7508	-0.1	3.7513	-0.1	3.7542	-0.1	-
Singapore	(S$)	1.4311	+0.0006	306 - 316	1.4318	1.4294	1.4295	1.4	1.4254	1.6	1.4036	1.9	-
South Africa	(R)	4.4580	-0.009	565 - 595	4.4620	4.4540	4.4975	-10.6	4.575	-10.5	4.873	-9.3	-
South Korea	(Won)	891.000	-	500 - 500	893.500	888.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.8050	+0.0315	800 - 300	27.8330	27.7500	27.8056	0.0	27.807	0.0	27.8113	0.0	-
Thailand	(Bt)	25.2300	+0.12	800 - 800	25.7300	25.0030	25.2913	-2.9	25.415	-2.9	25.985	-3.0	-

† SDR rate per $ for May 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 20: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.32	4.846	1.887	4768	5.447	20.14	488.0	408.1	21.57	4.039	1.734	3.907	2.859	326.6	2.481
Denmark	(DKr)	54.20	10	8.845	2.626	1.023	2584	2.952	10.91	264.5	221.2	11.69	2.189	0.940	2.117	1.549	177.0	1.345
France	(FFr)	61.28	11.31	10	2.969	1.156	2922	3.338	12.34	299.1	250.1	13.22	2.475	1.063	2.394	1.752	200.1	1.520
Germany	(DM)	20.64	3.808	3.368	1	0.389	984.0	1.124	4.156	100.7	84.23	4.451	0.833	0.358	0.806	0.590	67.40	0.512
Ireland	(I£)	52.99	9.778	8.648	2.568	1	2527	2.887	10.67	258.6	216.3	11.43	2.140	0.919	2.070	1.515	173.1	1.315
Italy	(L)	2.097	0.387	0.342	0.102	0.040	100	0.114	0.422	10.24	8.559	0.452	0.085	0.036	0.082	0.060	6.849	0.052
Netherlands	(Fl)	18.36	3.387	2.996	0.890	0.346	875.3	1	3.697	89.59	74.92	3.960	0.741	0.318	0.717	0.525	59.96	0.455
Norway	(NKr)	49.66	9.162	8.104	2.406	0.937	2368	2.705	10	242.4	202.7	10.71	2.006	0.861	1.940	1.420	162.2	1.232
Portugal	(Es)	20.49	3.781	3.344	0.993	0.387	977.0	1.116	4.126	100	83.63	4.420	0.828	0.355	0.800	0.586	66.92	0.508
Spain	(Pta)	24.50	4.521	3.999	1.187	0.462	1168	1.335	4.934	119.6	100	5.285	0.990	0.425	0.957	0.700	80.02	0.608
Sweden	(SKr)	46.36	8.554	7.566	2.247	0.875	2211	2.526	9.336	226.3	189.2	10	1.872	0.804	1.811	1.325	151.4	1.150
Switzerland	(SFr)	24.76	4.569	4.041	1.200	0.467	1181	1.349	4.986	120.8	101.1	5.341	1	0.429	0.967	0.708	80.87	0.614
UK	(£)	57.67	10.64	9.412	2.795	1.088	2750	3.142	11.61	281.5	235.4	12.44	2.329	1	2.253	1.649	188.3	1.431
Canada	(C$)	25.60	4.723	4.177	1.240	0.483	1221	1.394	5.155	124.9	104.5	5.521	1.034	0.444	1	0.732	83.60	0.635
USA	($)	34.98	6.454	5.709	1.695	0.660	1668	1.906	7.044	170.7	142.8	7.545	1.413	0.607	1.367	1	114.2	0.868
Japan	(Y)	30.62	5.650	4.997	1.484	0.578	1460	1.668	6.166	149.4	125.0	6.605	1.237	0.531	1.196	0.875	100	0.760
Ecu	-	40.31	7.437	6.578	1.953	0.761	1922	2.196	8.117	196.7	164.5	8.694	1.628	0.699	1.575	1.152	131.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5958	0.5904	-0.0058	0.5993	0.5904	29,972	78,001
Sep	0.5995	0.5946	-0.0056	0.5996	0.5945	465	3,919
Dec	0.6019	0.5985	-0.0056	0.6019	0.5985	2	489

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7215	0.7090	-0.0137	0.7281	0.7083	25,607	46,034
Sep	0.7310	0.7166	-0.0137	0.7310	0.7160	1,759	4,306
Dec	0.7260	0.7260	-0.0122	0.7260	0.7250	21	436

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8880	0.8788	-0.0116	0.8920	0.8767	55,079	88,231
Sep	0.9025	0.8902	-0.0122	0.9042	0.8900	2,731	5,291
Dec	0.9050	0.9030	-0.0116	0.9055	0.9030	71	790

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6538	1.6452	-0.0106	1.6590	1.6452	14,676	42,897
Sep	1.6534	1.6420	-0.0114	1.6562	1.6420	141	1,404
Dec	1.6490	1.6400	-0.0106	1.6490	1.6400	14	115

UK INTEREST RATES

LONDON MONEY RATES

May 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅞ - 5½	6⅜ - 6⅛	6⅜ - 6 3/16	6½ - 6 13/32	6 11/16 - 6 9/16	6 15/16 - 6 13/16
Sterling CDs	-	-	6 5/16 - 6 7/32	6⅜ - 6 5/16	6½ - 6 7/16	6 25/32 - 6 23/32
Treasury Bills	-	-	6 9/32 - 5 31/32	6 13/32 - 6 7/32	-	-
Bank Bills	-	-	6 9/32 - 6 3/16	6 3/16 - 6¼	6 9/16 - 6 7/16	-
Local authority deps.	6 - 5 13/16	6⅛ - 6 1/16	6¼ - 6 3/16	6 17/32 - 6⅜	6 17/32 - 6½	6 13/16 - 6¾
Discount Market deps	6 5/16 - 6 3/32	6 3/16 - 6¼	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on May 9, 6.1061pc. ECGD fixed rate Stg. Export Finance. Make up day Apr 30, 1997. Agreed rate for period May 26, 1997 to Jun 24, 1997, Scheme III 7.71pc. Reference rate for period Mar 28, 1997 to Apr 30, 1997, Schemes IV & V 6.450pc. Finance House Base Rate 6½pc from May 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.47	93.44	-0.02	93.47	93.44	15588	118786
Sep	93.24	93.18	-0.04	93.24	93.17	19275	105556
Dec	93.06	93.00	-0.04	93.06	92.99	21344	94975
Mar	92.93	92.87	-0.04	92.94	92.86	9168	61517
Jun	92.83	92.77	-0.04	92.84	92.78	3555	42976

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.20	0.09	0.09	0.01	0.16	0.34
9350	0.03	0.03	0.03	0.09	0.35	0.53
9375	0	0.01	0.01	0.31	0.58	0.76

Est. vol. total, Calls 6981 Puts 3300. Previous day's open int., Calls 174277 Puts 172878

EMS EUROPEAN CURRENCY UNIT RATES

May 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.760341	+0.005191	-4.80	7.32	32
Portugal	197.398	197.140	+0.155	-0.13	2.30	1
Spain	163.826	164.906	-0.058	0.66	1.50	-5
Finland	5.85424	5.92092	+0.02407	1.14	1.01	-8
Italy	1906.48	1929.48	+3.83	1.21	0.95	-9
Netherlands	2.19679	2.20227	-0.00087	1.50	0.66	-11
Denmark	7.34555	7.46006	-0.00263	1.56	0.60	-11
Germany	1.92573	1.95909	-0.00037	1.73	0.43	-17
Austria	13.5485	13.7896	-0.0022	1.78	0.38	-13
Belgium	39.7191	40.4372	-0.0074	1.81	0.35	-13
France	6.45883	6.59844	-0.00169	2.16	0.00	-18
NON ERM MEMBERS						
Greece	295.269	311.693	+0.036	5.56	-3.22	-
UK	0.793103	0.702625	-0.000287	-11.41	15.32	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.630	2.64	3.05	3.49	0.65	1.10	1.68
1.640	2.01	2.51	2.90	0.93	1.48	2.10
1.650	1.44	1.98	2.43	1.25	1.93	2.52

Previous day's vol., Calls 309 Puts 517. Prev. day's open int., Calls 33,832 Puts 35,307

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
0.585	1.15	1.44	-	0.28	0.45	0.62
0.590	0.82	1.13	1.41	0.44	0.64	0.81
0.595	0.55	0.85	1.16	0.67	0.87	1.04

Previous day's vol., Calls 12 Puts 629. Prev. day's open int., Calls 22,556 Puts 30,327

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.17	94.17	-	94.18	94.17	131,151	454,098
Sep	93.96	93.97	+0.02	93.99	93.96	112,185	466,773
Dec	93.75	93.75	+0.02	93.78	93.74	111,881	352,135

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.77	94.79	+0.03	94.79	94.77	2,113	5,253
Sep	94.58	94.57	+0.03	94.58	94.57	893	4,851

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9675	0.06	0.04	0.05	0.06	0.01	0.06	0.07	0.08
9700	0	0.01	0.01	0.01	0.20	0.28	0.28	0.28
9725	0	0	0	0	0.45	0.52	0.52	0.52

Est. vol. total, Calls 7976 Puts 8460. Previous day's open int., Calls 485429 Puts 290946

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9850	0.03	0.07	0.10	0.12	0.16	0.35
9875	0.01	0.01	0.05	0.20	0.28	0.44

Est. vol. total, Calls 1870 Puts 200. Previous day's open int., Calls 3481 Puts 1740

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	●Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	Financial & Gen Bank	7.00	Scottish Widows Bank	6.00
Bank of Baroda	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	United Bank of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.00
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	C. Hoare & Co	6.25	Yorkshire Bank	6.00
Barclays Bank	6.25	Hongkong & Shanghai	6.25		
Brit Bk of Mid East	6.25	Investec Bank (UK) Ltd	6.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25	* In administration	
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	●Rea Brothers	6.25		
		Royal Bk of Scotland	6.25		

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

Licence to run telecommunication systems under section 7 of the Telecommunications Act 1984 granted to Diamond Cable Communications (UK) Limited.

1. *The Secretary of State hereby gives notice as follows.*

   a. that he has duly reconsidered the proposals in respect of which he published a notice on 7 March 1997 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant a licence under the Act to Diamond Cable *Communications (UK) Limited ("the Licensee") to run* telecommunication systems throughout the United Kingdom;

   b. that he has granted such a licence ("the Licence") to the Licensee, being a licence which includes conditions such that section 8 of the Act applies to it, thereby making the Licensee eligible to have the *telecommunications code contained in Schedule 2 to the Act applied* to it under section 10 of the Act;

   c. that he has applied the telecommunications code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of these exceptions and conditions is that *the Licensee has duties:*

      i. to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground;

      ii. to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on *land* concerning the installation, maintenance, repair or alteration of its apparatus;

      iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, as well as relevant *electricity suppliers;*

      iv. to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to the powers under the code;and

      v. to ensure that sufficient funds are available to meet certain *liabilities* arising *from the* execution of street works.

2. The Secretary of State has applied the Code to the Licensee:

   a. *because the Licensee will need the statutory powers in the Code to* install and maintain the telecommunication systems which are to be installed and run under the Licence;

   b. subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet *(and relevant persons can enforce) liabilities arising from the* execution of works

3. The Secretary of State has granted the Licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the *interests of consumers in respect of the quality and variety of such* services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

4. The Licence has been granted for a period of 25 years in the first instance and is subject to revocation by the Secretary of State on 30 days' notice in the circumstances specified in the Licence.

5. *Copies of the Licence may be obtained from the Office of* Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price £12.00, postage and packing free.

Anthony Eden-Brown

Department of Trade and Industry — 22 May 1997

COMMODITIES AND AGRICULTURE

Aluminium demand set to increase

By Kenneth Gooding in Atlanta

At least one aluminium smelter needs to be built every year until 2015 if the western industry outside the former eastern bloc countries is to keep pace with probable demand.

Mr Robin Adams, president of the Resource Strategies consultancy, said it was possible that three new smelters a year would be needed.

Speaking in Atlanta at the Alumitech 97 conference, he also suggested that it was 80 per cent probable that the average aluminium price would be between $1,585 and $1,840 a tonne in the years to 2005. The average price for three-month aluminium on the LME in April was $1,594.52 a tonne.

"If you are considering a new smelter project and need a price greater than $1,840, I suggest saving yourself the expense of the feasibility study," he said. "The chances of the required price developing in the next 10 years is relatively remote."

For aluminium consumers he had this advice. "If you need an aluminium price of less than $1,585 a tonne to justify a new application in your industry, we suggest you rethink the basic engineering approach to your product."

Mr Adams was one of a panel of three economists making predictions at the conference, sponsored by the US Aluminum Association.

Resource Strategies studied a large number of possible scenarios. From this it deduced that a "reasonable range" of additional western capacity required by 2015 was "from a low of 5m tonnes, or 20 new smelters, to a high of 11m tonnes or 44 new smelters".

Mr Adams insisted that this type of perspective provided a more valuable insight into aluminium companies and financial institutions than did a "single point".

Mr Jim Southwood, president of Commodity Metals Management, said his consultancy had conducted similar analysis. Its work showed aluminium consumption growth this year compared with 1996 would be between 2.5 and 4 per cent.

He identified nearly 1m tonnes of new smelting capacity scheduled to start up during the next two years. "Although this seems like a large increase," he added, "it is less than expected consumption growth." It was the possible restart of nearly 1m tonnes of capacity temporarily shut down by western producers that would determine the net supply and demand balance over the next two years.

Mr Nicholas Mason, research manager of the aluminium group at the CRU International consultancy, suggested that the three-month London Metal Exchange aluminium price would drift lower to between $1,500 and $1,600 a tonne by the end of this year – even though there was likely to be a small supply deficit of 120,000 tonnes.

He said the next upturn for the market was between nine and 12 months away and would at first involve a "gentle uplift". Nevertheless, sources of market instability, such as investment fund activity, were only in abeyance "so the market will have a bumpy ride as it rises towards the next peak".

Gold consumption reaches record levels

By Michael Peel

Worldwide demand for gold reached record levels in the first quarter of this year, the World Gold Council said yesterday.

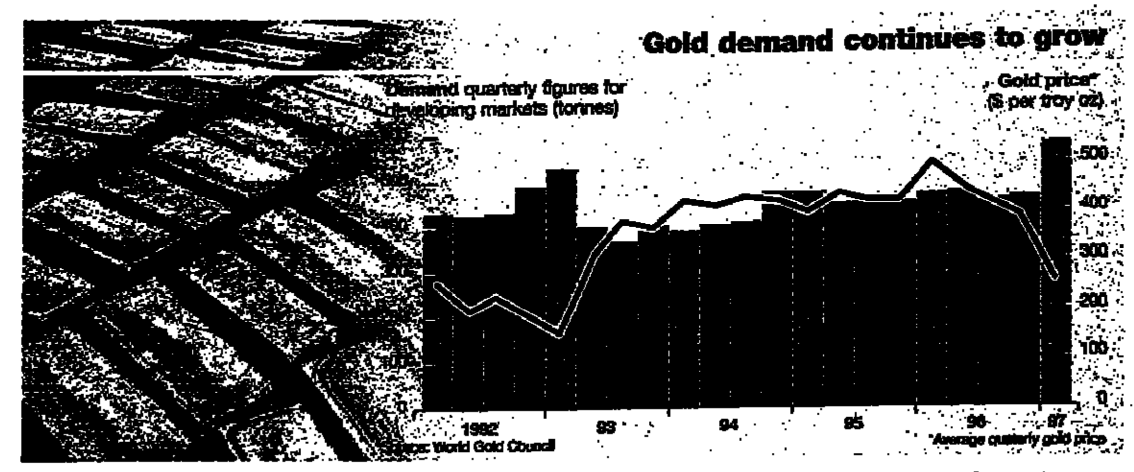
Overall consumption in the countries monitored by the council – which account for about 80 per cent of global demand – was 770.6 tonnes, some 17 per cent higher than consumption in the first quarter of 1996.

The council, a promotional organisation financed by some of the world's leading producers, said the increase was largely due to a sharp rise in demand in developing markets.

Aggregate demand for the quarter in those markets was a record 586.8 tonnes, an increase of 22 per cent on the first quarter of last year.

"There was a broad-based growth in gold demand across all the regions in the developing world," said Mr George Milling-Stanley, the manager of gold market analysis for the council.

"This was especially encouraging as it came after two years in which demand in the developing markets as a whole had held steady, with very little growth at all."



Demand from India, which is the world's largest gold consumer market, reached 161.7 tonnes in the first quarter, an increase of 38 per cent on a year earlier. However, demand in China, Taiwan and Hong Kong fell by a total of 10 per cent.

Mr Milling-Stanley contrasted the situation in India, where the gold market has been progressively deregulated over the past few years, with that in China, where gold may only be sold legally through 5,000 state-run outlets.

"China is still hobbled by severe restrictions," he said. "Gold consumption in India has doubled in the past four years. I wish that China would deregulate a bit more."

Demand in developed countries of 183.8 tonnes was 2 per cent higher than a year earlier. Investment demand, which fell by 57 per cent in 1996, gained 35 per cent in the first quarter of this year on the back of bargain hunting in Japan and increased coin demand in the US.

Mr Milling-Stanley said he was not surprised by the recent falls in the gold price, which he thought were the result of heavy short-side speculation.

"I don't think it was the absence of investors and speculators that hurt the gold price," he said. "And I don't think it was any shortcoming on the demand side. The presence of the speculators was a problem because they added so considerably to the supply."

Coffee prices jump on export quota news

MARKETS REPORT

By Maggie Urry and Michael Peel in London and Greg McIvor in Stockholm

The recent rally in coffee prices was reignited yesterday after the Association of Coffee Producing Countries decided to maintain export quotas for a further year so prices stay high.

Prices in New York rose sharply on the news, with the July arabica contract jumping to 252 cents a pound. Profit-taking brought the price down to 250.30 just after midday – a rise on the day of 10.05 cents.

On the London International Financial Futures Exchange robusta closed $15 higher at $2,090 a tonne. Before the news the July contract had lost $45.

The ACPC, which represents 14 nations, said "the priority of the established policy is to ensure prices remain at a level remunerative to producers, but allowing continuing growth in worldwide consumption".

Talks in London concluded yesterday with an agreement to set total exports for the 12 months beginning July 1 at 52.75m bags, each of 60kg. This follows a limit of 25.5m bags for the six months to end-June, roughly the same annual rate.

Coffee prices hit a 20-year high late last week, but had weakened in the last few days on hopes that the ACPC would increase its export quotas. With those expectations dashed, prices rose rapidly. Prices have risen around 80 per cent this year after a volatile mixture of tight supply, low stocks and fears of frost in Brazil drew speculative money into the futures markets that determine world prices.

Copper touched a one-year high for the second successive day before investors and speculators who had bought the metal began to sell.

Three-month copper on the London Metal Exchange ended the day at $2,506 a tonne, an overall rise of $13, after reaching $2,518.

A bout of selling by producers may also have forced the price down. "It's come under pressure because it looked a bit over-bought," said an analyst, "but it has still put in a good performance for the day. Stocks are still low and for the near term the fundamental picture is still supportive."

Trading of wood pulp futures and options will go ahead on May 29 as planned, OM, the Swedish derivatives exchange operator, said yesterday. It said it had received the go-ahead from the UK's Securities and Investment Board and will launch the contracts on its London Securities and Derivatives Exchange, providing a direct challenge to the first pulp futures and options bourse, launched in Helsinki early this year.

Woodside and Shell mull joint gas project

By Nikki Tait in Sydney

Woodside Petroleum, the Australian oil and gas company, and Shell Australia, part of the international oil group, are considering building a facility for extracting liquefied natural gas, costing up to A$10bn (US$7.73bn).

The two companies said they were going ahead with a feasibility study for a plant near Darwin, on Australia's north coast. The initial phase of the study would probably take about 18 months, and cost several million dollars.

In a joint statement, they said they already had "significant" gas discoveries in the Sunrise, Troubadour, Loxton Shoals and Evans Shoal gas fields, and that these were expected to contain at least 5,000bn cubic feet of recoverable gas.

"Both companies are committed to substantial exploration and appraisal programmes ... with the objective for adding to these reserves," they added. They also plan to talk to other parties with offshore gas reserves in the region.

The plan envisages two LNG processing trains and five LNG ships. Combined capacity of the trains would be around 7.5m tonnes a year with output going to both overseas and domestic markets. The cost of the project would be spread over 20 years, with first deliveries targeted for 2005.

Woodside said a final decision on the project would probably need to be taken by 2001. It said the feasibility study would look at a number of potential sites around Darwin.

Woodside is the operator and one-sixth partner in the North-West Shelf gas project, which began to export LNG under 20-year contracts to Japanese customers in 1989. An A$6.8bn expansion is already under consideration. Shell is also a partner and has a 34.3 per cent stake in Woodside.

Australia's federal government welcomed the project, saying it could create some 2,000 construction jobs and 200 permanent jobs. The companies are not expecting government funding.

● Boral, the Australian building materials and energy group, said it was reviewing the structure of its natural gas distribution interests. It said this was being done in the light of reforms to the gas market "which will require the segregation of the existing business into distinct gas transportation and gas retailing businesses".

It said the objectives of the review were "to establish a ring-fenced entity owning the natural gas distribution assets which could further invest in energy infrastructure assets as deregulation of the sector proceeds".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1635.5-6.5	1650.5-1.5
Previous	1619.5-20.5	1639-40
High/low		1658/1646
AM Official	1654-5	1667.5-8.5
Kerb close		1653-4
Open int.	267,401	
Total daily turnover	66,256	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1480-85	1500-05
Previous	1473-75	1499-500
High/low		1510/1500
AM Official	1495-500	1510-15
Kerb close		1500-05
Open int.	5,108	
Total daily turnover	1,144	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	629-30	640-1
Previous	610.5-1.5	622-3
High/low		648/628
AM Official	623-4	634-5
Kerb close		637-8
Open int.	36,153	
Total daily turnover	6,490	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7465-75	7580-85
Previous	7575-85	7685-95
High/low	7600	7750/7550
AM Official	7600-10	7710-15
Kerb close		7560-65
Open int.	49,240	
Total daily turnover	12,895	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5725-35	5770-80
Previous	5710-20	5760-70
High/low		5800/5750
AM Official	5738-9	5780-85
Kerb close		5755-60
Open int.	15,246	
Total daily turnover	2,446	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1332.5-3.5	1354-5
Previous	1319.5-20.5	1341-42
High/low		1360/1349
AM Official	1333.5-4.5	1355-6
Kerb close		1350-51
Open int.	90,338	
Total daily turnover	14,322	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2586.5-8.5	2507-8
Previous	2525-27	2465-66
High/low	2595/2591	2518/2498
AM Official	2591-2	2512-3
Kerb close		2506-7
Open int.	135,941	
Total daily turnover	38,338	

■ LME AM Official £/$ rate: 1.6543
LME Closing £/$ rate: 1.6470

Spot: 1.6471 3 mths: 1.6447 6 mths: 1.6420 9 mths: 1.6396

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	118.55	+0.45	118.85	117.60	502	1,519
Jun	118.30	+0.15	118.75	117.70	194	3,493
Jul	118.20	+0.35	118.85	117.50	8,556	33,856
Aug	115.90	+0.45	115.20	115.10	127	1,780
Sep	113.65	+0.30	113.80	112.80	497	6,351
Oct	111.90	+0.35	110.90	110.90	71	1,066
Total					16,616	61,295

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	342.60-343.10		
Opening	343.10-343.40		
Morning fix	342.25	206.486	481.204
Afternoon fix	342.70	207.949	483.584
Day's High	343.10-343.40		
Day's Low	341.60-341.90		
Previous close	342.30-342.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.81 6 months 4.76
2 months ....4.81 12 months 4.58
3 months 4.80

Silver Fix	p/troy oz.	US cts equiv.
Spot	282.35	467.20
3 months	286.45	473.25
6 months	290.45	479.10
1 year	299.25	492.05

Gold Coins	$ price	£ equiv.
Krugerrand	341-343	206-208
Maple Leaf	-	-
New Sovereign	80-83	48-50

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	343.1	+0.4	-	-	3	2
Jun	343.7	+0.3	344.0	342.2	17,680	56,992
Aug	346.3	+0.3	346.7	344.8	3,201	25,638
Oct	349.1	+0.3	349.5	348.5	62	6,878
Dec	351.9	+1.5	352.2	350.5	704	22,417
Feb	354.6	+0.3	-	-	2,288	6,383
Total					24,671	159,466

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	392.1	-3.9	397.6	390.0	5,056	14,911
Oct	392.1	-3.9	397.0	393.0	368	4,371
Jan	393.1	-3.9	395.5	395.0	85	1,231
Apr	395.6	-3.9	-	395.5	1	16
Total					5,510	20,529

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	182.60	-1.65	-	-	-	10
Jun	180.10	-1.65	181.50	177.50	1,108	5,007
Sep	177.60	-1.40	178.50	175.50	649	4,604
Dec	177.60	-1.40	177.50	177.50	15	396
Total					1,772	10,183

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	466.5	-1.8	466.5	465.5	68	107
Jul	469.5	-1.8	472.0	467.0	7,063	60,145
Sep	474.5	-1.8	476.0	472.0	440	6,394
Dec	481.7	-1.8	483.0	479.5	170	7,257
Jan	484.0	-1.8	-	-	-	17
Mar	489.3	-1.8	489.5	488.5	193	7,609
Total					7,936	90,268

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	21.16	-	21.80	21.05	26,805	21,372
Jul	21.59	-	21.87	21.47	67,598	1.094k
Aug	21.59	-	21.82	21.50	20,488	43,880
Sep	21.50	+0.02	21.67	21.45	5,086	23,001
Oct	21.40	+0.04	21.50	21.30	3,474	17,014
Nov	21.30	+0.06	21.31	21.25	1,693	16,342
Total					132,028	404,564

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	19.90	-0.10	20.15	19.83	17,129	82,670
Aug	19.93	-0.02	20.12	19.85	9,873	28,203
Sep	20.08	+0.12	20.14	19.99	1,921	9,749
Oct	19.88	-0.05	20.11	19.88	938	7,471
Nov	20.08	+0.19	20.08	20.01	125	5,898
Dec	19.98	+0.13	20.03	19.93	651	11,900
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	57.20	-0.44	58.00	57.00	12,920	23,672
Jul	57.25	-0.42	58.00	57.05	6,969	35,937
Aug	57.75	-0.32	58.40	57.45	1,582	18,011
Sep	58.20	-0.42	58.80	58.20	895	10,064
Oct	59.00	-0.22	59.50	58.75	345	8,173
Nov	59.80	-0.02	60.05	59.75	244	7,287
Total					24,219	136,390

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	176.25	-1.50	178.50	175.75	5,476	25,223
Jul	177.50	-2.25	179.75	177.00	2,135	12,453
Aug	179.00	-2.25	181.25	179.00	1,516	7,625
Sep	180.75	-2.25	182.50	181.00	364	3,581
Oct	182.50	-2.25	184.25	182.75	509	4,245
Nov	183.75	-2.25	184.75	184.50	97	1,953
Total					10,494	67,505

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.186	-0.005	2.220	2.160	27,775	26,874
Jul	2.225	-0.005	2.260	2.200	12,663	32,782
Aug	2.230	+0.002	2.260	2.200	4,621	19,189
Sep	2.220	+0.007	2.235	2.195	4,883	15,991
Oct	2.215	-0.002	2.230	2.200	2,142	18,269
Nov	2.320	+0.010	2.330	2.295	368	7,819
Total					57,023	208,220

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	65.60	+0.21	66.25	65.25	15,119	33,912
Jul	64.35	+0.04	64.75	64.00	7,565	32,270
Aug	63.15	-0.11	63.60	62.95	2,076	10,029
Sep	61.90	-0.23	62.40	61.65	155	4,622
Oct	59.95	-0.23	60.20	59.95	25	3,173
Nov	59.75	-	-	-	100	1,830
Total					25,108	91,746

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	86.50	-0.50	-	-	-	42
Jul	88.00	-0.50	89.00	87.00	271	1,640
Sep	91.60	+0.35	-	-	-	121
Nov	93.60	+0.35	93.75	92.75	88	3,532
Jan	95.60	+0.60	95.90	94.75	70	1,566
Mar	97.60	+0.35	97.75	97.00	32	717
Total					522	8,009

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	382.25	+1.75	384.00	379.25	16,537	50,272
Sep	389.50	+1	391.50	387.00	2,904	13,033
Dec	401.50	+1.75	403.00	399.00	2,862	17,388
Mar	403.00	+0.75	402.00	401.00	72	1,325
May	385.00	-	390.00	385.00	2	17
Jul	376.50	-1.5	377.00	376.50	68	349
Total					22,478	82,401

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	276.75	+0.5	278.00	275.00	54,662	126,145
Sep	263.50	+0.75	264.75	261.75	2,718	28,268
Dec	262.00	+1.75	262.50	259.25	21,946	112,284
Mar	267.50	+1.25	268.00	265.50	626	12,096
May	272.00	+2	272.00	269.50	101	1,214
Jul	275.75	+1.5	276.00	273.00	125	2,921
Total					81,352	286,934

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	86.00	-	-	-	-	-
Sep	88.25	-	88.30	88.30	3	29
Nov	90.25	-	-	-	-	1,075
Jan	92.25	-	-	-	-	139
Mar	94.25	-	-	-	-	5
May	96.25	+0.25	-	-	-	-
Total					3	1,248

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	847.25	+2.25	850.00	839.25	54,480	95,850
Aug	817.75	+0.25	821.50	812.25	4,532	22,930
Sep	733.50	+0.5	736.00	730.50	1,546	9,099
Nov	690.50	+2	693.00	686.50	13,680	48,875
Jan	694.25	+1.5	697.50	691.00	629	4,941
Mar	700.50	+1.5	701.00	699.00	78	938
Total					75,781	184,920

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	23.45	+0.26	23.48	23.19	15,905	51,763
Aug	23.64	+0.24	23.70	23.39	2,611	14,522
Sep	23.79	+0.24	23.80	23.55	1,052	8,737
Oct	23.83	+0.23	23.83	23.58	990	8,812
Dec	24.00	+0.22	24.01	23.78	2,809	18,848
Jan	24.16	+0.21	24.16	23.98	89	998
Total					23,593	103,850

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	284.8	-0.5	286.2	282.0	17,143	52,635
Aug	270.0	-1.3	271.6	268.2	2,587	15,457
Sep	251.4	-2.4	254.0	250.7	829	9,332
Oct	234.3	-0.1	236.2	233.5	1,292	10,277
Dec	224.9	-0.8	227.1	224.7	2,961	19,530
Jan	222.5	+0.7	223.3	222.3	152	1,704
Total					28,367	111,873

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	30.0	-	-	-	-	-
Nov	58.0	-	-	-	-	11
Mar	108.5	+5.5	-	-	-	-
Apr	113.5	+5.5	113.5	110.0	629	1,233
May	127.5	+5.5	-	-	-	-
Total					629	1,244

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	1295	-	1300	1290	15	550
Jun	1235	-30	1270	1235	53	423
Jul	1175	-14	1190	1175	44	1,076
Oct	1330	-10	1330	1330	10	507
Jan	1360	-5	-	-	-	57
Apr	1395	-5	-	-	-	-
Total					122	2,613

	Close	Prev
BFI	1288	1283

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds
Prices from Kenkko; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): RPPC prices at 4,300 CFR, up again due to very small 1997 crop; long type only second hand. Walnuts: US jumbo inshell 2,300 CPT Europe duty paid; East Europe LHP mix 4,000 CPT Europe, falling due to slow sales. Turkish hazelnuts standard No 1: stable, price idea 4,600. Italian goods same. Turkish and Iranian sultanas: 1,260 CFR MEP, firm with few goods. Iranian industrial apricots: 1,800 CFR, MEP firming. Indian cashews: raw crop 1997 CFR Europe, W320 at 5,850, W240 at 6,050. US almonds: crop 1996 23/25 SSR at 5,800 FAS down a bit; crop 1997 23/25 SSR 4,000 FAS market firm. Coconut: CFR 1,200 for top Philippine mills falling slightly; Sri Lanka $50-$100 less.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1003	-4	990	990	5	35
Jul	1028	+4	1029	1008	1,319	28,972
Sep	1048	+5	1049	1028	540	15,229
Dec	1038	+4	1039	1021	525	28,734
Mar	1047	+4	1048	1031	528	31,223
May	1056	+3	1056	1046	323	16,019
Total					3,823	140,759

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1486	+17	1494	1459	3,250	31,445
Sep	1512	+17	1519	1490	413	13,617
Dec	1544	+16	1548	1527	103	18,242
Mar	1569	+16	1586	1540	110	20,575
May	1591	+16	-	-	30	8,531
Jul	1611	+16	-	-	58	502
Total					3,908	94,854

■ COCOA (ICCO) (SDR's/tonne)

May 20	Price	Prev. day
Daily	1140.07	1144.84

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	2020	+10	2030	2010	22	325
Jul	2090	+15	2100	2030	2,947	25,708
Sep	2115	+10	2130	2065	1,633	16,488
Nov	2117	+9	2135	2068	752	6,264
Jan	2090	+11	2075	2038	52	2,498
Mar	2065	+11	2025	2025	3	339
Total					5,408	51,845

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	253.10	+12.85	255.00	239.00	5,060	15,104
Sep	225.05	+10.35	226.00	214.80	1,980	7,530
Dec	196.15	+6.00	196.15	190.00	653	5,053
Mar	183.00	+6.00	183.00	177.00	285	1,987
May	173.00	+3.80	175.20	171.00	52	373
Jul	168.10	+5.05	169.05	164.00	4	131
Total					8,013	30,314

■ COFFEE (ICO) (US cents/pound)

May 20	Price	Prev. day
Comp. daily	181.73	185.75
15 day average	170.09	167.98

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	321.4	+2.5	321.5	318.9	1,346	12,586
Oct	311.3	+2.7	311.5	308.6	541	6,171
Dec	308.9	+2.6	309.2	306.7	142	1,884
Mar	308.8	+2.7	309.1	306.5	60	1,472
May	308.3	+2.3	308.0	306.0	13	683
Aug	307.8	+2.5	307.5	307.0	1	404
Total					2,106	23,387

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	11.15	+0.10	11.17	11.07	8,291	73,040
Oct	10.92	+0.08	10.93	10.84	1,973	41,289
Mar	10.84	+0.08	10.85	10.77	767	24,839
May	10.77	+0.08	10.78	10.71	133	5,988
Jul	10.70	+0.06	10.70	10.65	39	2,635
Oct	10.61	+0.06	10.55	10.53	-	560
Total					11,207	148,708

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	72.12	-0.28	72.55	72.10	4,772	36,628
Oct	73.67	-0.28	74.05	73.65	129	3,897
Dec	74.52	-0.28	74.80	74.50	1,217	25,336
Mar	75.75	-0.30	76.05	75.85	138	3,622
May	76.50	-0.25	76.70	76.50	13	926
Jul	76.90	-0.30	77.05	76.90	25	329
Total					6,318	72,819

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	82.35	-0.30	84.20	82.00	2,293	16,501
Sep	84.50	-0.20	86.25	84.10	723	7,250
Nov	86.75	-0.15	88.05	86.50	178	3,378
Jan	89.00	+0.10	90.00	88.75	138	1,587
Mar	91.25	+0.35	91.50	91.00	24	1,008
May	93.50	+0.60	95.50	95.25	72	266
Total					3,364	30,051

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 21	May 20	month ago	year ago
2013.8	2009.8	1958.9	2147.6

■ CRB Futures (Base: 1967 = 100)

May 20	May 19	month ago	year ago
251.00	253.14		

■ GSCI Spot (Base: 1970 = 100)

May 20	May 19	month ago	year ago
199.73	201.86	194.98	212.03

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,400	to	759,550
Aluminium alloy	-180	to	62,700
Copper	-1,125	to	139,985
Lead	-	to	118,100
Nickel	+72	to	50,676
Zinc	-1,525	to	434,650
Tin	-165	to	11,160

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	65.225	+0.075	65.250	64.825	8,782	30,263
Aug	65.300	+0.2	65.325	64.850	4,270	36,905
Oct	68.850	+0.1	68.875	68.525	1,167	17,802
Dec	70.950	+0.175	70.975	70.675	616	9,440
Feb	70.950	+0.125	71.025	70.800	514	5,184
Apr	72.800	+0.2	72.800	72.575	29	1,666
Total					15,378	101,268

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	81.750	+0.925	81.800	80.500	4,047	12,818
Jul	82.575	+0.4	82.700	81.750	2,525	10,468
Aug	80.225	+0.175	80.350	79.500	1,388	7,091
Oct	73.125	+0.225	73.150	72.500	757	5,615
Dec	70.650	+0.375	70.700	70.150	243	3,480
Feb	69.750	+0.375	69.850	69.500	96	1,584
Total					9,086	42,135

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
May	92.425	+2.625	92.000	90.400	53	231
Jul	93.350	+2.8	93.400	91.200	2,433	6,334
Aug	92.400	+2.875	92.500	90.450	403	1,683
Feb	77.825	+1.225	79.600	76.900	115	383
Mar	76.500	+1.5	78.000	76.000	1	11
Total					3,005	8,648

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1625	30	75	15	42
1650	18	62	27	54
1675	9	51	44	68
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2400	173	125	2	68
2500	86	77	14	115
2600	29	43	56	179
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
2000	155	274	65	159
2050	126	256	86	191
2100	101	239	111	224
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1000	48	81	18	33
1025	32	66	29	43
1050	21	54	43	56
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1950	-	-	37	53
2000	59	87	-	84
2050	37	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

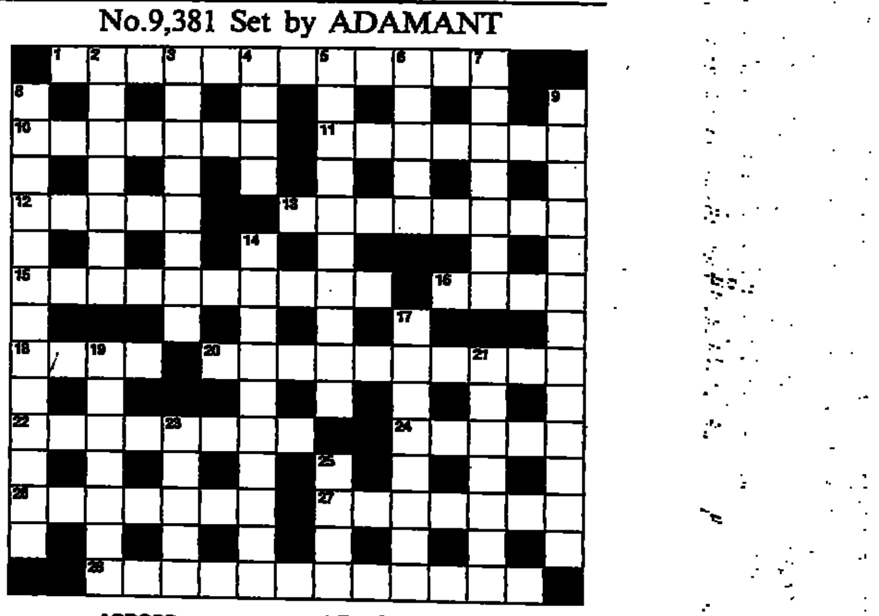
		+or-
Dubai	$18.92-9.06	-0.33
Brent Blend (dated)	$19.74-9.78	-0.33
Brent Blend (Jul)	$19.85-9.87	-0.33
W.T.I.	$21.57-1.63z	-0.34
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$219-221	+1
Gas Oil	$179-181	-1
Heavy Fuel Oil	$82-84	
Naphtha	$187-189	+2
Jet fuel	$194-196	-2
Diesel	$185-187	-4
■ NATURAL GAS (Pence/therm)		
Bacton (Jun)	11.0-11.2	+0.1
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Jun)	11.200	+0.250
■ OTHER		
Gold (per troy oz)♣	$342.85	+0.30
Silver (per troy oz)♣	471.50c	+1.50
Platinum (per troy oz.)	$393.50	+1.00
Palladium (per troy oz.)	$170.00	-1.75
Copper	122.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.13r	
Tin (New York)	268.5	-1.0
Cattle (live weight)	90.51p	-0.57*
Sheep (live weight)	127.79p	-18.56*
Pigs (live weight)†	102.66p	-6.72*
Lon. day sugar (raw)	$269.90	+0.90
Lon. day sugar (wte)	$324.30	+1.30
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	72.50p	
Rubber (Jul)♥	72.50p	
Rubber (KL RSS No1)	279.5x	
Coconut Oil (Phil)§	650.0y	
Palm Oil (Malay.)§	542.5z	-7.5
Copra (Phil)§	$425.0y	
Soyabeans (US)	214.5	-3.5
Cotton Outlook'A' index	79.25c	
Wooltops (64s Super)	415p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y May/Jun♥ z Jul London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,697 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,381 Set by ADAMANT



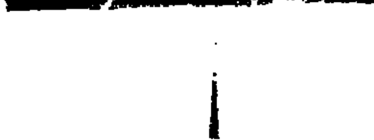
ACROSS

1 Showing initiative, going in when prince is held captive (12)
10 High fliers are conservative in time it takes to develop (7)
11 Fought over the brothers' transport (7)
12 Top insurance (5)
13 On the river, Anglo Saxon lord made pesticide (8)
15 Hinted that, in error, you sounded out-of-date (10)
16 Restore some aspects of past ethics (4)
18 Talk about parking spaces (4)
20 So, without church solo by various students (10)
22 Can it provide a sprinkler service on September 1st? It's an outside hope! (8)
24 Greek island has means of transport round it (5)
26 Eisenhower to forbid a few bloomers in the Japanese style (7)
27 No allowance made for long speech (7)
28 Possible result of having a growing share (6,6)

DOWN

2 Indigenous people need time in unsophisticated society (7)
3 For example, Martin Turner, the one who got away (8)
4 Look equal (4)
5 Do they worry up in Tyneside about iron? On the contrary, a protein (10)
6 Popular group's insertion (5)
7 Dashing girl left a lot of books (7)
8 Fitting furniture piling up at the professor's place (8,5)
9 Publicity can determine vast movements (13)
14 Last resting places for posh car wrecked by a soldier (10)
17 Compact type of biscuit (8)
19 Secretary altered set-up of the page proof (5-2)
21 Nothing on page one has Ulster working to form a viewpoint (7)
23 Ostentatiously good on an old instrument (5)
25 Job for a male, it's said (4)

Solution 9,380



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 — Jersey 01534 71696
Private Clients 0800 414181 — 00 352 250404230
From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

	Selling Price	+ or -	Yield Gr's
A$ Accum	A$19.806	+0.070	4.80
ASch Accum	Sch251.98	+0.05	2.10
C$ Accum	C$18.024	+0.004	2.00
DM Accum	DM38.758	+0.008	2.00
DFl Accum	Dfl31.894	+0.005	1.90
ECU Accum	Ecu13.725	+0.004	3.00
FFr Accum	FFr67.871	+0.015	2.10
HK$ Accum	HK$124.39	+0.08	4.80
Lire Accum	L24485	+15	6.10
NZ$ Accum	NZ$17.490	+0.025	5.70
NKr Accum	NKr114.08	+0.02	1.70
C$ Accum	S$19.347	+0.006	2.30
SPta Accum	Pta2617.8	+1.2	4.30
£ Accum	£13.507	+0.002	5.20
SKr Accum	SKr123.38	+0.04	3.00
SFr Accum	SFr29.476	+0.001	0.50
US$ Accum	$24.120	+0.012	4.60
Yen Accum	Y2882.0	+0.1	0.10

Prices for dealing May 21

Jupiter Asset Management (Bermuda) Ltd

Rothschild Asset Management - Contd.

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (u)						
4 Rue Jean Monet, L-2180 Luxembourg 352 424848335						
Latin America Equity			$83.94	84.90	—	-
North America Equity			$93.94	94.41	—	-
Asian Tigers Equity			$83.38	84.01	—	-
Europe Equity			$88.16	88.80	—	-
Germany Equity			DM177.41	178.30	—	-
Japan Equity			$82.25	82.77	—	-
Europe Bond			$63.60	63.85	—	-
US Bond			$59.99	60.14	—	-
Global Bond			$62.68	62.84	—	-
Germany Bond B			DM112.35	112.83	—	-
Spain Bond			Pt10706	10733	—	-
Eastern Europe Equity F			DM233.38	234.01	—	-
China Equity F			$72.47	74.38	—	-
Switzerland Equity			SFr159.42	162.23	—	-
Abtrust Fund Mngrs Luxembourg SA (u)						
4 Boulevard Royal L 2449 Luxembourg 00 352 227001						
Abtrust Atlas Fund						
Global Cap Portfolio			$4.161		+0.058	-
United States Portfolio			$6.230xd		+0.079	-
Cont'l Europe Portfolio	0		DM7.948		-0.007	-
Japan Portfolio			¥0.694		+0.007	-
Pacific Portfolio			$8.329		+0.031	-
Gold Portfolio			$1.693		-0.020	-
UK Growth of Income			£2.3540		-0.014	3.61
Dollar Portfolio			$1.880xd		—	7.05
Sterling Portfolio			£1.043xd		—	6.30
Asian Master Fund (u) (x)						
21 avenue de la Liberte, L-1931, Lux 00 352 2854 841						
Australasian NAV			A$18.28		+0.06	-
Austrian Nat NAV			Sch68.72		+0.45	-
BelgofLux NAV			BFr947.92		-7.48	-
Dutch Nat NAV			Dfl60.68		-0.39	-
French Nat NAV			FFr152.35		-1.83	-
German Nat NAV			DM22.12		-0.36	-
Hongkong Nat NAV			HK$141.37		-0.13	-

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Funds - Contd.						
Balanced						
European Balanced			DM15.35		-0.06	1.62
Prices as at May 20						
Fleming Group (u)						
6 Route De Treves L-2633 Senningerberg Luxembourg						
00 352 34101 or 0800 960 264						
Internet: http://www.flemings.lu/						
Fleming Flagship Fund (daily dealing)						
FFF American			$60.61	64.12	+0.33	-
FFF Amer Fledgling F			$62.98	66.64	+0.25	-
FFF Asian Smaller Cos F			$10.05	10.64	+0.13	-
FFF China			$19.14	20.25	+0.25	-
FFF Continental Europe F			DM46.57	49.22	+0.22	-
FFF DM Balanced F	5		DM11.93	12.62	+0.02	-
FFF DM Bond	3		DM11.38	11.71	-0.02	6.50
FFF Eastern European F			DM30.76	32.54	-0.03	-
FFF Eastern Opps			$22.43	23.73	+0.02	-
FFF Emerging Markets F			$10.71	11.33	+0.07	-
FFF Emerging Markets Debt F			$14.92	15.78	+0.07	-
FFF European			DM46.28	48.97	+0.30	-
FFF European Smlr Cos F			DM27.12	28.69	-0.01	-
FFF Global Conv F			$18.37	19.44	-0.07	-
FFF India H			$10.25	10.85	-0.07	-
FFF Intl Bond F			$13.90	14.70	-0.03	-
FFF Intl Equity F			DM85.25	90.18	+0.27	-
FFF Japanese			$16.47	17.43	-0.98	-
FFF Japanese Smaller Cos F			$6.62	7.00	-0.17	-
FFF Latin American			$14.20	15.03	+0.15	-
FFF Pacific			$23.64	25.00	-0.29	-
FFF Sterling Bond			£1.185	1.169	+0.001	7.50
FFF UK Enterprise			£5.83	6.16	-0.01	-
FFF US Discovery			$42.61	45.07	+0.05	-
Fleming Flagship Andes II (Daily Dealing)						
DM Class F			DM12.483		+0.007	2.66
FFr Class F			FFr64.490		+0.005	2.84
ITL Class F			L22346		+3.080	5.80
£ Class F			£5.271		+0.001	5.71
US$ Class F			$12.126		+0.001	5.35
Oasis Fund Sicav						
International Equity F	5	CE	$11.635	11.8038	—	-

[illegible]

OFFSHORE INSURANCES

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International (Ireland) Ltd

Alpha Fund Management Ltd

Credis Investment Funds

Gaia Currency Funds

The India Magnum Fund Ltd

The India Special Situations Fund Ltd

Indian Opportunities Fund Ltd

Indochina Asset Management Limited

Lloyds Bank Government Bonds

Lloyds Bank International (Bahamas) Ltd

MBf Unit Trust Managers Limited

Orbitex Management Ltd

ORIENT Growth Fd

Oriental Development Company Ltd

Sistra Fund Ltd

Sloane Robinson Investment Mngmt Ltd

Smith Barney Funds

OTHER OFFSHORE FUNDS

Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, RETAIL

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
BG	✦W	199xd	–4	204½	134	8,827	9.1	19.5
Centrica		84¼	+3	77½	55	2,858	–	–
International Energy	✦	93½xd	—	108	84½	52.7	5.8	11.5

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

MEDIA - Cont.

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

TEXTILES & APPAREL - Cont.

AIM - Cont.

OTHER INVESTMENT TRUSTS

PROPERTY

TOBACCO

TRANSPORT

SUPPORT SERVICES

OIL EXPLORATION & PRODUCTION

INVESTMENT COMPANIES

AMERICANS

WATER

OIL, INTEGRATED

AIM

CANADIANS

OTHER FINANCIAL

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£26	—	£37¼	£20¾	1,915	3.0	♦
Barlow	‡	[illegible]	—	[illegible]	[illegible]	1,322	[illegible]	13.5
Gold Flds Prop R	†	133	[illegible]	171½	120	13.8	8.7	10.0
SA Brews		£17⅞	+¼	£24¾	£13¾	5,261	2.2	♦
Standard Bank		£29½	[illegible]	£31½	[illegible]	3,488	1.2	26.2
Tiger Oats	†	1021	-9	1150	770	1,936	1.9	16.2
Tongaat-Hulett		752	—	1125	676¼	730.1	2.8	♦

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

LEISURE & HOTELS

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

TELECOMMUNICATIONS

LIFE ASSURANCE

RETAILERS, GENERAL

TEXTILES & APPAREL

MEDIA

PHARMACEUTICALS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

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LONDON STOCK EXCHANGE

Shares rally but close below session highs

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

There were sighs of relief across European stock markets, London included, yesterday after the US Federal Reserve left interest rates unchanged.

London was given a further lift, albeit only temporary, by a smaller-than-expected increase in M4 money supply during April, which gave a boost to an already firm gilts market. Later in the session, however, gilts began to give way, eventually closing under considerable pressure, along with other global bond markets. The money supply figures were seen by some observers as reducing the immediate pressure for a further interest rate rise.

The stock market was also helped by some generally favourable corporate reports, which included excellent results from FTSE 100 stocks such as Land Securities and Carlton Communications.

The FTSE 100 index had fallen 86.4, or 1.8 per cent, over the previous two sessions when the US interest rate worries intensified. Yesterday it recouped 34.5 to 4,642.0, only 51.9 off its all-time closing high and 81.7 away from its intra-day peak of 4,723.7; both figures were reached on May 16. The FTSE All-Share picked up 13.0 to 2,209.21.

Other FTSE indices failed to keep up with the leaders, however. The FTSE 250 could only manage an 11.3 improvement at 4,500.4 and was burdened by a horror story in the biotech sector, where Celltech shares more than halved in the wake of acutely disappointing news on one of its drugs. Other biotech stocks retreated in sympathy.

Even worse, the FTSE SmallCap index finished in negative territory, ending the day 2.9 down at 2,301.6, weakened by a string of profit warnings from companies such as Bluebird Toys and Sketchley, among others.

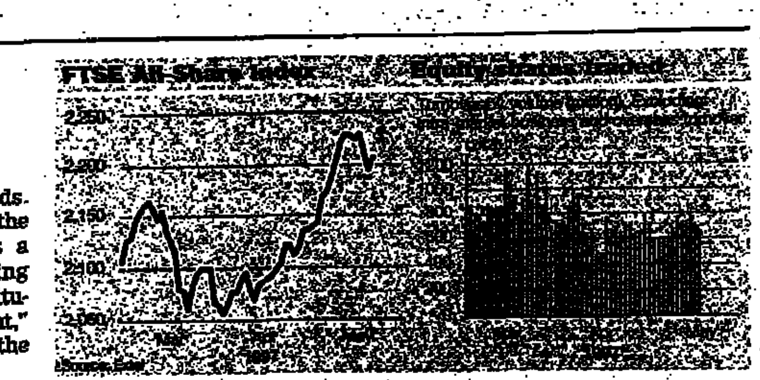
There were signs during the afternoon, however, that the market's confidence was being gradually, but significantly, eroded as bonds fell away and Wall Street relinquished its earlier gains.

The Fed's decision helped the Dow Jones Industrial Average rally on Tuesday to end with a 74-point gain, almost at a record high. In early trading yesterday, the Dow was showing a 20-point plus rise. That was wiped out as London closed and turned into a 28-point fall soon after.

Marketmakers said the mood in London had turned cautious near the close and that fund managers had begun to express concerns about the decline in bonds.

"There is a feeling around the market that today's move is a short-covering rally, nothing more. Demand from the institutions was never more than light," said a senior trader at one of the big UK securities houses.

The financial sectors remained at the forefront, with property stocks among the best individual performers. The results from Land Securities, the UK's biggest property group, had prompted something of a re-rating of the sector, traders said. Turnover at 6pm totalled 807.9m shares, well up to recent best levels, with Footsie stocks accounting for well over half the total.



Indices and ratios

FTSE 100	4642.0	+34.5	FT 30	2987.7	+25.8
FTSE 250	4500.4	+11.4	FTSE Non-Fins p/e	18.65	18.59
FTSE 350	2249.3	+14.5	FTSE 100 Fut Jun	4657.0	+47.0
FTSE All-Share	2209.21	+13.07	10 yr Gilt yield	7.18	7.12
FTSE All-Share yield	3.50	3.52	Long gilt/equity yld ratio	2.05	2.01

Best performing sectors

1 Property .... +2.6
2 Insurance .... +1.5
3 Oil:Integrated .... +1.4
4 Life Assurance .... +1.3
5 Mineral Extraction .... +1.2

Worst performing sectors

1 Health Care .... −0.8
2 Breweries:Pubs & Rest .... −0.5
3 Electricity .... −0.4
4 Gas Distribution .... −0.4
5 Household Goods .... −0.3

Rolls up to the limit

By Joel Kibazo and Peter John

Buying from a company director helped **Rolls-Royce** put on 5¼ to 245p. After the market closed, it was announced the level of foreign ownership of shares in the company has reached 29.5 per cent, the maximum permitted by the company's articles of association.

British Aerospace, in which overseas investors are said to hold around 27 per cent of the stock, also has the same limitations.

Mr Brian Newman at Henderson Crosthwaite commented: "The new Labour government is likely to move quickly to remove the foreign shareholder limit. This will release pent up demand which could see foreign holdings in Rolls rise to 50 per cent." Dealers expect overseas demand to come from investors in the US and Germany. Shares in BAe bounced 11¼ to 1219p.

Celltech investors were suffering from septic shock yesterday after the company's treatment for that very condition failed to deliver.

The shares lost more than half their market value at one stage after it was announced that the treatment was ineffective.

Celltech had been pinning its hopes on the product and Mr Peter Allen, the finance director, said: "This will delay profits by two years." The company is believed to have lost about a quarter of its potential future earnings stream.

The plunge in the shares reminded the market of the high volatility in a sub-sector where many companies rely too heavily on one drug in development.

In March, Scotia fell sharply after the company said regulators could not immediately approve its diabetic drug Tarabetic.

Celltech tumbled 289 to 341p on heavy turnover of 7.2m shares. Scotia fell 10 to 392½p.

L & G firm

Legal & General hovered around the top of the Footsie rankings as Norwich Union, which will be similar in value when it starts trading, announced some flotation details.

Norwich said it would offer just over 1bn shares at between 240p and 290p. That is above the previous estimate – made at the end of February – of between 220p and 265p.

And some analysts believe the top-end valuation will be merely the opening shot when trading in the insurance group begins on June 16.

There was a further boost to the already heady valuations in financial stocks as Kleinwort Benson raised its fair value calculation for the soon-to-be-floated Halifax shares.

Kleinwort said that Halifax was fair value at 660p, a 60 per cent premium to the floor set by the building society only a few weeks ago. At that level it would have a market value of £16.5bn and represent about 1.5 per cent of the UK market.

But the real crunch is expected to come if individuals decide to hold on to their allocations and the squeeze on institutional holdings becomes throttling. That information will be announced next Tuesday. L&G closed 20¼ up at 455½p.

Better-than-expected figures from Land Securities sent the company's shares soaring as analysts upgraded current and following year forecasts.

The shares gained 29 to 873½p as the market appreciated the group's 13.3 per cent increase in net asset value to 783p a share, well ahead of the most optimistic forecasts. Dealers pointed to the maturity of the development programme; the group's high growth assets such as the West End shopping properties; as well as the food super store and retail warehouses, for the advance.

Analysts at BZW reiterated their "overweight" recommendation and raised its 1998 NAV forecast to 900p.

Shares in **Pilkington**, the world-famous glassmaker, were driven up to fourth place in the FTSE 250 index as the market reacted positively to news that Mr Roger Leverton, the chief executive, is being replaced by Mr Paolo Scaroni, the company's head of global automotive products. Pilkington shares have laboured under the weight of three profit warnings issued over the past year.

The news was announced at the company's annual meeting at which Mr Leverton said cash flow and borrowing performance for the year to March 31 was considerably better than originally projected. Pilkington shares finished the session 6 higher at 121½p.

Signet tumbles

Shares in jewellery retailer **Signet Group** tumbled 6, or 16.4 per cent, to 30½p on the news that preference shareholders are being asked to write off £165m of dividend arrears as part of the capital restructuring plan announced yesterday.

National Power led the list of underperformers in the Footsie after the generator announced figures at the bottom of market expectations.

The company's UK market share fell to 24 per cent from 32 per cent and the intense competition was also visible in wholesale electricity prices, which were down 4 per cent over the year.

Sentiment was knocked by the company's first-ever single-digit increase in the dividend, even though dividend cover was reduced as well. The shares slid 17 to 545½p.

Profit warnings caused havoc among a long list of stocks.

Bluebird Toys shares slumped 63, or 37 per cent, to a 52-week low of 106½p, after the company warned shareholders at the annual meeting of "very difficult" trading conditions in the first few months of the year and that full-year profits would come in "significantly below market expectations".

Sketchley, the dry cleaning company, shocked the market with news that accounting problems at its retail unit would result in a moderate loss for the year. The market's response was to lower the share price 23, or 26 per cent, to 65p.

London & Edinburgh Publishing, which floated on AIM last year, dropped 2¼ to 9¼p after announcing that profits for the year to end-1996 are around £220,000 compared with a forecast of £400,000 made at the time of its flotation.

Drings of Bath, the stonemason floated last year, saw its shares down a penny to 2p after stating its full-year profits are expected to come in at £110,000 compared with the £260,000 forecast in its placing and admission document issued last July.

Coutts Consulting was another casualty, with its shares sliding 12 to 35½p after warning of significantly lower profits at the annual meeting.

FT 30 INDEX

	May 21	May 20	May 19	May 16	May 15	Yr ago	*High	*Low
FT 30	2987.7	2961.9	2978.3	3014.3	3013.6	2799.0	3018.6	2668.8
Ord. div. yield	3.68	3.71	3.69	3.63	3.63	3.97	4.22	3.62
P/E ratio net	18.05	17.91	18.01	18.27	18.29	16.28	18.33	15.80
P/E ratio nil	17.87	17.73	17.82	18.09	18.10	16.06	18.14	15.71

FT 30 since compilation: high 3018.6 13/05/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2974.3	2979.7	2983.2	2982.5	2987.8	2988.5	2990.3	2994.4	2988.4	2994.8	2974.3

	May 21	May 20	May 19	May 16	May 15	Yr ago
SEAQ bargains	48,259	46,559	48,374	51,082	51,311	34,111
Equity turnover (£m)†	–	NA	NA	2594.2	2428.9	2266.5
Equity bargains†	–	NA	NA	47,139	49,454	41,641
Shares traded (m)†	–	NA	NA	657.5	715.1	735.7

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

■ **London market data**

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	750	Total Highs	97	Total contracts	49,622
Total Falls	639	Total Lows	64	Calls	22,727
Same	1,683			Puts	26,895

May 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4630.0	4657.0	+47.0	4675.0	4630.0	17720	69456
Sep	4671.0	4691.5	+47.5	4701.0	4671.0	496	4943
Dec	4726.0	4736.0	+44.0	4730.0	4726.0	130	392

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4511.0	+11.0			0	5963
Sep		4562.5	+11.0			0	300

■ FTSE 100 INDEX OPTION (LIFFE) (*4644) £10 per full index point

	4450 C	4450 P	4500 C	4500 P	4550 C	4550 P	4600 C	4600 P	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P
Jun	227	17½	182½	24½	143½	35	106	48½	74½	68½	49½	95	30	128	17½	167
Jul	258	32	218½	42½	180	54½	145	70½	113	88½	85	114½	61½	143	40½	178
Aug	280	50½	229½	60½	192	73	160½	91	129½	110	104½	137	80½	165	61½	197½
Sep	309½	65½	262	76	227	92	195	109½	162½	127½	136	151½	111½	176	87	206
Dec†			334	108½			267½	143½			208	185½			158½	238

Calls 5,436 Puts 1,976

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4475 C	4475 P	4525 C	4525 P	4575 C	4575 P	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P
Jun	281	20	158½	28½	121½	40½	88	58	59½	77½	38	105½	23½	140½	12½	179½
Jul	234½	36½	195	46½	158½	59½	125½	76	96½	95½	72	121½	51½	150½	35	183½
Aug	249½	55½	212½	67½	177	81	145½	99	116½	119½	91	143½	78½	172	53	203½
Sep			244	81			177½	112½			123	156			79	210
Dec†			314½	111			249	142			192½	182			145½	231

Calls 6,176 Puts 15,058 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,492	655	532½	Alliance & Leic	600	-5½	L16.3	2.5	3.4	14.7
§	F.P.	94.5	1200	820	Aston Villa	825	-30	R8.6	1.8	1.3	45.3
-	F.P.	3,954	306½	265½	Cable & Wireless	265½	-4½	-	-	-	-
-	F.P.	-	102	97½	Caradon B	99½		-	-	-	-
§130	F.P.	16.1	150½	132½	†Comino	145½	-2	2.25	4.6	1.9	13.6
§	F.P.	13.2	87½	70½	Donatantonio	87	+½	0.5	♦	0.7	♦
100	F.P.	25.0	100	100	Downing Hi VCT	100		-	-	-	-
100	F.P.	14.8	149½	122½	†Dragons Hlth Clbs	147½		-	-	-	27.8
§40	F.P.	3.27	42½	33½	†Eagles	33½		-	-	-	-
§140	F.P.	13.2	147½	130	Heart of Midlthn	130	-7½	-	-	-	-
§	F.P.	7.18	164½	159½	†ITG	160		-	-	-	-
100	F.P.	3.15	105½	102½	†Integrated As Mg	105		-	-	-	-
§110	F.P.	9.09	130½	122½	†Lady in Leisure	122½		b-	-	-	-
§	F.P.	3.76	119½	112½	Longbridge Intl	119½		-	-	-	16.7
-	F.P.	19.8	99½	97½	Mrtn Currie I&G Inc	98		M7.4	-	9.4	-
-	F.P.	6.16	93½	87½	Do Cap	91½		-	-	-	-
50	F.P.	19.6	54½	47½	†NMT	50	+1	-	-	-	-
§10	F.P.	5.57	14¾	12	†Newmark Tech	13¼	-¼	-	-	-	-
-	F.P.	32.2	172½	157½	Partners Hldgs	172½		a-	-	-	19.9
100	F.P.	8.00	100	100	Penine AIM VCT	100		-	-	-	-
-	F.P.	18.2	70½	38½	†Petra Diamonds	62½		-	-	-	-
-	F.P.	0.69	45½	13½	†Do Warrants	41½	+2	-	-	-	-
143	F.P.	21.8	155½	150	Qualceram	155½		22.6%	-	1.5	-
§117	F.P.	16.2	124½	120½	Salehurst	122½		L3.75	1.3	3.8	19.6
§100	F.P.	10.8	108½	102½	†Soccer Investmnt	107½		-	-	-	-
§3	F.P.	5.40	4	3¼	Versaille Group	3¾	-¼	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 20	% chg on day	May 19	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1558.00	+0.2	1555.41	2231.70	2.18	–	2376.65	1468.60
■ Regional Indices								
Africa (14)	1784.06	+1.1	1764.37	3162.19	4.89	51.01	3162.19	1724.86
Australasia (6)	1755.99	–0.9	1772.23	2575.88	3.02	24.79	2577.22	1755.99
North America (11)	1476.93	+0.1	1475.61	2060.72	0.96	206.48	2126.45	1335.84

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 21	Day's chge%	May 20	May 19	May 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4642.0	+0.7	4607.5	4645.2	4693.9	3764.2	3.52	2.06	17.24	74.25	1975.28
FTSE 250	4500.4	+0.3	4489.0	4510.4	4525.7	4512.3	3.61	1.58	22.01	66.44	1671.76
FTSE 250 ex IT	4514.7	+0.2	4503.6	4525.8	4541.0	4551.1	3.74	1.61	20.80	69.13	1683.10
FTSE 350	2249.3	+0.7	2234.8	2251.5	2272.1	1908.9	3.54	1.98	18.00	35.43	1954.51
FTSE 350 ex IT	2249.3	+0.7	2234.7	2251.7	2272.4	–	3.57	1.98	17.75	3.14	1002.20
FTSE 350 Higher Yield	2193.2	+0.7	2179.0	2194.3	2213.7	1825.4	4.53	1.84	14.96	42.64	1614.29
FTSE 350 Lower Yield	2310.5	+0.7	2295.6	2313.9	2335.6	1995.7	2.51	2.19	22.79	27.62	1843.35
FTSE SmallCap	2301.57	–0.1	2304.47	2311.45	2316.79	2239.03	3.05	1.72	23.90	28.18	1946.54
FTSE SmallCap ex IT	2294.75	–0.2	2298.98	2306.44	2312.03	2236.30	3.26	1.80	21.28	30.29	1956.69
FTSE All-Share	2209.21	+0.6	2196.14	2211.91	2230.98	1892.50	3.50	1.95	18.32	34.22	1946.11
FTSE All-Share ex IT	2206.97	+0.6	2195.71	2211.82	2231.27	–	3.55	1.97	17.94	2.99	1001.75

■ **FTSE Actuaries Industry Sectors**

	May 21	Day's chge%	May 20	May 19	May 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4348.96	+1.3	4294.39	4288.69	4319.13	3532.41	3.50	2.02	17.69	85.94	1947.01
12 Extractive Industries(5)	4452.87	+0.7	4419.85	4452.43	4399.71	4481.73	3.54	2.38	14.83	104.80	1361.10
15 Oil, Integrated(3)	4473.28	+1.4	4411.37	4395.60	4443.73	3567.64	3.72	1.96	17.20	90.91	2059.05
16 Oil Exploration & Prod(12)	3637.35	+0.8	3607.35	3630.23	3628.82	2499.83	1.59	2.22	35.49	36.78	2227.75
20 GEN INDUSTRIALS(268)	1925.59	+0.5	1916.65	1927.04	1936.59	2117.38	4.15	1.91	15.77	32.70	1095.15
21 Building & Construction(35)	1380.47	–0.1	1381.60	1383.36	1390.65	1216.84	3.14	1.96	20.30	23.61	1199.53
22 Building Matls & Merchs(30)	1853.26	+0.3	1847.25	1854.57	1871.05	1938.55	4.33	2.77	10.43	34.84	975.84
23 Chemicals(26)	2328.94	+0.9	2308.29	2330.38	2354.07	2533.51	4.52	1.47	18.86	49.97	1155.14
24 Diversified Industrials(16)	1387.91	+0.6	1379.74	1388.01	1382.13	1729.46	5.23	1.97	12.13	36.42	822.20
25 Electronic & Elect Equip(36)	2072.58	+0.1	2069.90	2059.79	2073.27	2445.57	3.80	1.56	21.06	14.36	1108.06
26 Engineering(69)	2482.57	+0.5	2469.48	2499.69	2511.68	2466.23	3.41	2.46	14.88	31.12	1554.68
27 Engineering, Vehicles(13)	2794.52	+0.3	2784.88	2775.77	2787.43	3061.93	3.99	‡	‡	38.40	1495.89
28 Paper, Pckg & Printing(27)	2208.06	+0.9	2188.64	2201.17	2209.76	2771.88	4.74	1.87	14.10	41.86	957.62
29 Textiles & Apparel(14)	1041.57	......	1041.22	1042.51	1047.62	1384.49	6.76	0.96	19.27	33.10	679.85
30 CONSUMER GOODS(84)	4484.78	+0.3	4473.16	4499.09	4578.54	3549.88	3.39	1.81	20.37	84.53	1730.69
32 Alcoholic Beverages(7)	3199.84	+0.5	3185.30	3187.46	3238.61	2829.02	4.14	1.88	16.07	76.56	1216.68
33 Food Producers(25)	2943.40	+0.7	2923.31	2939.13	2972.31	2456.03	3.75	1.85	18.06	58.89	1390.46
34 Household Goods(17)	2944.05	–0.3	2953.80	3024.40	3074.22	2668.74	3.52	2.30	15.40	54.14	1210.50
36 Health Care(15)	2158.74	–0.8	2175.60	2208.41	2224.89	2094.07	2.75	1.80	28.51	31.74	1353.10
37 Pharmaceuticals(18)	7203.58	+0.1	7194.37	7228.73	7414.16	5099.20	2.56	1.71	28.43	104.77	2528.81
38 Tobacco(2)	4619.77	+0.3	4603.77	4661.62	4633.98	4256.62	5.86	1.87	11.39	147.58	1229.72
40 SERVICES(271)	2685.79	+0.4	2675.11	2693.07	2711.37	2542.65	2.93	1.99	21.43	31.98	1441.61
41 Distributors(30)	2741.24	+0.2	2734.73	2739.09	2744.32	2982.27	3.35	1.94	19.21	39.26	1045.72
42 Leisure & Hotels(31)	3467.24	+0.1	3463.15	3481.76	3505.66	3174.10	2.64	1.77	26.71	59.13	1918.95
43 Media(44)	4337.93	+0.8	4304.41	4317.88	4361.25	4267.50	2.26	1.98	27.86	55.45	1609.65
44 Retailers, Food(15)	2115.22	–0.1	2117.95	2139.95	2158.97	2003.98	3.86	2.21	14.63	39.11	1403.66
45 Retailers, General(53)	2067.37	+0.4	2059.42	2091.79	2102.09	2098.09	3.32	2.07	18.18	17.96	1218.17
47 Breweries, Pubs & Rest.(22)	3286.35	–0.5	3303.70	3306.55	3313.39	3138.88	3.39	2.21	16.70	33.86	1629.37
48 Support Services(54)	3065.99	+0.3	3057.04	3066.69	3061.14	2428.24	1.70	2.66	27.74	21.66	1994.11
49 Transport(22)	2867.39	+1.2	2832.43	2844.08	2883.18	2424.96	3.44	1.36	26.85	30.52	1239.19
60 UTILITIES(31)	2822.42	+0.1	2819.70	2817.07	2837.55	2342.64	4.88	1.55	16.48	16.92	1288.14
62 Electricity(9)	3124.28	–0.4	3137.98	3129.04	3149.92	2672.02	5.62	2.19	10.15	22.08	1725.67
64 Gas Distribution(2)	1771.40	–0.4	1778.13	1744.48	1725.98	1198.35	6.89	‡	‡	68.13	1011.77
66 Telecommunications(8)	2297.31	+0.5	2285.61	2298.09	2319.22	2007.58	3.82	1.71	19.14	0.38	1084.71
68 Water(12)	2601.86	......	2602.32	2586.62	2625.22	2001.72	5.72	2.39	9.38	0.00	1504.84
69 NON-FINANCIALS(674)	2224.60	+0.5	2214.62	2223.80	2244.14	2013.58	3.61	1.86	18.65	32.72	1760.41
70 FINANCIALS(106)	4346.71	+1.1	4297.84	4377.01	4410.22	2916.63	3.32	2.36	15.85	84.48	1980.30
71 Banks, Retail(8)	6546.53	+0.8	6492.22	6612.57	6660.56	3965.10	3.07	2.65	15.35	129.00	2240.76
73 Insurance(18)	1803.26	+1.5	1776.10	1804.38	1824.84	1527.08	4.80	2.52	10.34	54.22	1440.97
74 Life Assurance(7)	5062.61	+1.3	4996.53	5136.86	5173.41	3495.11	3.48	1.96	18.29	121.00	2211.38
77 Other Financial(29)	3257.10	+1.1	3221.90	3258.89	3279.50	2755.18	3.30	1.88	20.07	38.26	1927.02
79 Property(44)	2010.58	+2.6	1959.55	1989.25	2003.90	1580.60	3.20	1.30	30.11	13.78	1280.24
80 INVESTMENT TRUSTS(127)	3382.58	+0.3	3371.43	3380.10	3391.96	3245.76	2.19	1.13	50.71	26.37	1207.44
89 FTSE All-Share(907)	2209.21	+0.6	2196.14	2211.91	2230.98	1892.50	3.50	1.95	18.32	34.22	1948.11
105 FTSE All-Share ex IT(780)	2206.97	+0.6	2195.71	2211.82	2231.27	–	3.55	1.97	17.94	2.99	1001.75
FTSE Fledgling	1291.77	–0.1	1292.56	1297.08	1297.69	1265.32	3.03	0.79	52.45	16.36	1391.70
FTSE Fledgling ex IT	1307.23	–0.1	1308.36	1313.66	1313.92	1275.79	3.33	0.76	49.20	16.36	1409.20
FTSE AIM	1080.4	–0.2	1082.5	1085.1	1089.6	–	0.94	1.02	80.00†	0.18	986.93

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4616.8	4622.3	4635.2	4631.3	4639.7	4644.8	4647.1	4653.4	4644.7	4653.8	4616.7
FTSE 250	4488.5	4492.9	4495.2	4495.4	4494.4	4493.9	4493.9	4498.1	4500.2	4500.7	4488.5
FTSE 350	2238.3	2240.9	2246.2	2244.7	2247.9	2249.8	2250.7	2253.6	2250.4	2253.7	2238.3
FTSE SmallCap	2303.43	2303.13	2302.63	2303.01	2302.18	2302.14	2302.20	2302.31	2301.76	2303.46	2301.23
FTSE All-Share	2199.31	2201.64	2206.40	2205.07	2207.92	2209.68	2210.49	2213.13	2210.17	2213.22	2199.31

Time of FTSE 100 Day's high: 2:54 PM Day's low: 8:31 AM. FTSE 100 1997 High: 4642.0 (21/05/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 2:54 PM Day's low: 8:30 AM. FTSE All-Share 1997 High: 2209.20 (21/05/97) Low: 1989.79 (02/01/97)
Further information is available on http://www.ftse.com or contact FTSE International on +44 (0)171 448 1810.

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative.

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	1,400	500½	+5½
ASDA Group†	11,500	119½	+1
Abbey National†	5,300	925½	–8
Airtours	71	1013½	+12
Albert Fisher	1,500	39	
Alliance & Leicester	2,100	600	–5½
Allied Domecq†	1,900	451½	–2
Anglian Water	957	692½	–3
Argos	329	612½	+1½
Arjo Wiggins	2,700	174	+6½
Assoc. Brit. Foods†	465	568½	+6½
Assoc. Brit. Ports	1,600	287	+4½
BAA†	4,200	539½	+2½
BAT Inds.†	3,200	559½	+2
BBA	593	321½	+½
BICC	600	185½	–1½
BOC†	714	994	+8
BG†	14,300	199	–4
BP†	5,700	727	+5½
BPB	652	337	+5½
BSkyB†	4,100	561½	+8½
BT†	22,400	450	+5
BTR†	6,800	220	+9
Bank of Scotland†	3,800	404½	+½
Barclays†	7,300	1212½	+7½
Bass†	4,100	798½	–22½
Blue Circle†	1,600	410½	–8
Booker	695	311½	–1½
Boots†	2,900	703	+1
Britannic	73	870	–½
Brit. Aerospace†	2,700	1219	+11½
British Airways†	5,300	738½	+18½
British Biotech	3,600	257½	–2½
British Energy	2,600	143	+3
British Land†	7,300	588½	+28
British Steel†	10,100	151	+1
Burmah Castrol†	2,200	1022½	+1
Burton†	10,100	134	+2¾
Cable & Wire†	7,700	500½	–7½
Cadbury Schweppes†	3,200	541½	+16
Caradon	1,900	221½	+4
Carlton Comms.†	3,300	517½	+18½
Centrica†	23,100	84¼	+3
Chubb	84	444½	+½
Coats Viyella	840	128	+½
Comm. Union†	2,100	737	+16½
Compass	1,600	650	+½
Cookson	3,500	241	+4
Courtaulds	7,000	380½	+24
Dalgety	988	288	+1
De La Rue	139	499	–1
Dixons†	2,500	485	+7
EMAP	1,100	735½	+3
EMI†	2,000	1235	+9
Electrocomps	378	398	
Energy Group†	3,600	549½	+13½
Enterprise Oil†	1,800	692	+15
FKI	2,400	177	+1½
Foreign & Col. I.T.	1,000	161¾	+1½
Gen. Accident†	2,000	939	+19
General Elect.†	5,100	355	+1
Glaxo Wellcome†	3,800	1235	+3½
Glynwed	1,200	268½	–2
Granada†	5,100	914½	–½
Grand Met.†	3,200	560½	+3½
GUS†	1,100	655½	+6½
Greenalls	275	483	
GRE†	3,900	301½	+7
GKN†	564	971½	+6½
Guinness†	13,600	561½	+4
HSBC (75p shs)†	4,500	1801	+11
Hammerson	1,400	464½	+17
Hanson†	2,700	313½	–2½
Harrisons Crosfield	400	108½	–4½
Hays†	1,600	584	
Hillsdown	2,200	178½	
Hyder	244	830	–1½
IMI	172	371	
ICI†	8,500	780½	+8
Imperial Tobacco†	2,800	402½	+1
Inchcape	1,700	280	+2½
Johnson Matthey	386	488½	+½
Kingfisher†	1,800	707	+7½
Kwik Save	425	268½	–1
Ladbroke†	1,200	242	+8
Land Securities†	4,300	873½	+29½
Laporte	828	648	–2½
Legal & General†	4,200	455½	+20½
Lloyds TSB†	9,600	609½	+10½
LASMO†	3,200	249	+2½
Lonrho	1,000	144½	+2½
LucasVarity†	2,300	200½	+½
MEPC	1,900	500	+14
MFI	371	124	
Marks & Spencer†	11,100	495	+2
Mercury Asset Man†	774	1372½	+30
Morrison (Wm.)	731	155	+½
NFC	1,700	130½	+7
NatWest Bank†	6,700	792	+6
National Grid†	1,300	228	+1
National Power†	11,300	545½	–17
Next†	3,100	712	+5½
Northern Foods	139	199	
Orange†	1,700	215	
Pearson†	1,400	705½	–7½
P & O†	1,200	635½	+½
Pilkington	17,700	121½	+6
PowerGen†	6,400	693½	–4
Premier Farnell	958	491½	+3
Provident Financial	653	598	+11
Prudential†	4,400	548	+2½
REXAM	1,100	283	+7
RMC†	2,000	917½	–1½
RTZ†	2,300	1062	+10½
Racal	1,100	217	–3½
Railtrack†	2,400	440	+8½
Rank Group†	2,200	440	+2½
Reckitt & Colman†	1,400	881½	–4½
Redland	347	322½	
Reed Intl.†	2,500	625½	+6
Rentokil Initial†	5,300	234½	+2
Reuters†	3,200	665½	+6
Rolls Royce†	11,700	245	+5½
Royal & Sun Allnce†	3,500	486½	+6½
Royal Bk Scotland†	2,400	610	–2
Safeway†	3,300	359½	+5½
Sainsbury†	7,500	362	–1½
Schroders†	66	1737½	+15½
Scottish & New.†	2,600	708½	+5½
Scot. Hydro-Elect.	1,300	389	+1½
Scottish Power†	6,200	384½	–½
Sears	5,400	79	–1½
Securicor	180	294	+½
Severn Trent†	923	772½	–3
Shell Transport†	15,100	1180½	+25
Siebe†	2,000	949½	+3
Slough Ests	510	329½	+5½
Smith (W.H.)	662	445½	–8
Smith & Nephew†	2,100	167¼	–¼
SmKl Beecham†	2,900	1059½	+13
Smiths Inds.†	1,700	740	–½
Southern Elect	1,500	410	
South West Water	351	698	–6
Stagecoach	1,900	661	+12½
Standard Chartd.†	2,100	1018½	+24
Storehouse	1,200	216½	
T&N	258	198½	+½
TI Group†	210	529½	+8
Tarmac	8,900	125½	+1
Tate & Lyle†	1,000	454	–8½
Taylor Woodrow	248	200½	
TeleWest Comms	295	73½	–2
Tesco†	6,780	382	–4½
Thames Water†	295	682½	+2
Thistle Hotels	725	168½	
Thorn	3,900	165½	–3
Tomkins†	1,800	278½	
Unigate	43	486	+½
Unilever†	964	1669	+6½
United Biscuits	1,700	220½	–2
Utd. News & Media†	1,100	785	+13
United Utilities†	1,600	676½	
Vodafone†	6,200	275½	+4½
WPP	1,800	246½	+1
Wessex Water	1,700	385	+5
Whitbread†	245	793½	+7
Williams Hldgs.	2,300	311	–1½
Wimpey	386	135	
Wolseley†	1,800	470	+5
Yorkshire Elect	1	927½	
Yorkshire Water	81	374	+4
Zeneca†	1,500	1692	–9½

Based on trading volume for a selection of

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 21 / Sch)

BELGIUM/LUXEMBOURG (May 21 / Frs.)

CZECH REP (May 21 / Koruna)

DENMARK (May 21 / Kr)

FINLAND (May 21 / Mka)

FRANCE (May 21 / Frs.)

GERMANY (May 21 / Dm.)

GREECE (May 21 / Drachma)

ITALY (May 21 / Lira)

NETHERLANDS (May 21 / Fl.)

NORWAY (May 21 / Kroner)

POLAND (May 21 / Zloty)

PORTUGAL (May 21 / Escudo)

SPAIN (May 21 / Pta.)

SWEDEN (May 21 / Kronor)

SWITZERLAND (May 21 / Frs.)

TURKEY (May 21 / TK Lira)

PACIFIC

JAPAN (May 21 / Yen)

AUSTRALIA (May 21 / Aust$)

HONG KONG (May 21 / H.K.$)

INDONESIA (May 21 / Rupiah)

MALAYSIA (May 20 / MYR)

NEW ZEALAND (May 21 / NZ $)

SINGAPORE (May 20 / S$)

SOUTH KOREA (May 21 / Won)

TAIWAN (May 21 / TW $)

THAILAND (May 21 / Baht)

AFRICA

SOUTH AFRICA (May 21 / Rand)

NORTH AMERICA

CANADA

TORONTO (May 21 / Can $)
4 pm close

MONTREAL (May 21 / Can $)
4 pm close

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	May 21	May 20	May 19	1997 High	1997 Low
Argentina					
General(29/12/77)	(u)	21873.98	21602.40	21873.98 20/5	18237.37 2/1
Australia					
All Ordinaries(1/1/80)	2543.2	2530.7	2531.0	2543.20 21/5	2362.20 1/4
All Mining(1/1/80)	938.7	941.5	940.3	987.16 24/2	878.40 15/4
Austria					
Credit Aktien(30/12/84)	429.25	425.03	(c)	429.25 21/5	374.40 9/1
Traded Index(2/1/91)	1290.11	1270.36	(c)	1290.11 21/5	1130.22 9/1
Belgium					
BEL20(1/1/91)	2247.83	2228.00	(c)	2264.87 5/5	1971.05 2/1
Brazil					
Bovespa(29/12/83)	(u)	10841.0	10506.0	10881.00 12/5	0.88 29/4
Canada					
Metals Minls◆(1975)	(u)	5455.60	(c)	5891.75 10/3	4845.95 11/4
Composite◆(1975)	(u)	6360.10	(c)	6332.90 10/3	5579.30 14/4
Portfolio$$(4/1/83)	(u)	3173.30	(c)	3214.30 10/3	2848.02 11/4
Chile					
IGPA Gen◆(31/12/80)	(u)	5402.45	5383.24	5443.52 25/2	4912.42 2/1
Denmark					
CopenhagenSE(3/1/83)	581.24	580.95	(c)	581.24 21/5	478.14 2/1
Finland					
HEX General(28/12/90)	3097.71	3035.14	3029.12	3097.71 21/5	2483.28 2/1
France					
SBF 250(31/12/90)	1837.34	1819.29	(c)	1838.29 16/5	1533.19 2/1
CAC 40(31/12/87)	2786.35	2751.11	(c)	2786.35 21/5	2258.97 2/1
Germany					
FAZ Aktien(31/12/58)	1227.49	1212.33	(c)	1229.57 16/5	998.21 2/1
Commerzbank(1/12/53)	3601.3	3552.10	(c)	3605.70 13/5	2878.90 2/1
DAX‡(30/12/87)	3596.09	3543.43	(c)	3604.55 16/5	2848.77 2/1
Greece					
Athens SE(31/12/80)	1639.01	1621.71	1570.23	1679.23 19/5	954.84 2/1
Hong Kong					
Hang Seng(31/7/64)	14235.52	14236.20	14108.82	14236.20 20/5	12055.17 3/4
India					
BSE Sens.(1979)	3735.01	3768.30	3778.31	3844.81 4/3	3225.24 2/1
Indonesia					
Jakarta Comp.(10/8/82)	654.09	652.82	652.55	712.80 28/2	631.27 15/4
Ireland					
ISEQ Overall(4/1/88)	3247.36	3218.55	3242.09	3281.31 16/5	2725.07 2/1
Italy					
Banca Comm Ital(1972)	784.29	778.91	777.04	787.71 10/2	642.55 2/1
MIB General(2/1/97)	1181.0	1173.0	1170.0	1187.00 10/2	991.00 2/1
Japan					
Nikkei 225(16/5/49)	19941.98	20332.83	20489.75	20489.75 19/5	17303.65 10/1
Nikkei 300(1/10/82)	285.13	291.05	292.82	293.84 6/5	257.04 27/1
Topix(4/1/68)	1475.89	1503.56	1512.83	1512.83 19/5	1330.82 10/4
2nd Section(4/1/68)	1746.64	1760.59	1759.26	1829.21 6/1	1516.50 15/4
Malaysia					
KLSE Comp.(4/4/86)	(c)	1058.62	1041.39	1271.57 25/2	1041.27 15/5
Mexico					
IPC(Nov 1978)	(u)	3952.82	3921.38	3952.82 20/5	3359.46 2/1
Netherland					
CBS TtlRtnGen(End 83)	941.0	921.8	(c)	941.80 21/5	738.80 2/1
CBS All Shr(End 83)	544.2	533.0	(c)	544.20 21/5	429.00 2/1
New Zealand					
Cap. 40(1/7/86)	2296.20	2285.39	2307.58	2440.21 20/1	2207.48 1/4
Norway					
Oslo SE(Ind)(2/1/83)	1933.54	1899.92	(c)	1941.49 20/2	1639.03 2/1
Philippines					
Manila Comp(2/1/85)	2538.97	2499.38	2509.36	3447.60 3/2	2499.38 20/5
Portugal					
BVL 30(4/1/93)	2870.61	2844.38	2866.42	2908.28 15/5	2169.57 3/1
Singapore					
SES All-S'pore(2/4/75)	(c)	498.28	495.17	573.03 17/2	478.94 29/4
South Africa					
JSE Gold(28/9/78)	1213.7♥	1213.3	1192.8	1686.10 27/2	1181.60 2/5
JSE Ind.(28/9/78)	8398.2♥	8372.0	8398.5	8888.70 6/5	7869.50 2/1
South Korea					
KoreaCompEx**(4/1/80)	737.71	734.67	721.20	737.71 21/5	611.05 7/1
Spain					
Madrid SE(30/12/85)	560.10	547.56	541.86	560.10 21/5	434.54 2/1
Sweden					
AffarsvardsGen(1/2/37)	2872.8	2833.8	(c)	2872.80 21/5	2374.50 2/1
Switzerland					
SMI Index(1/7/88)	5178.6	5081.0	(c)	5178.80 21/5	3922.90 7/1
SPI General(1/6/87)	3268.35	3214.28	(c)	3268.35 21/5	2506.22 6/1
Taiwan					
WeightedPr.**(30/6/66)	8022.88	7996.75	8107.54	8881.72 28/4	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	596.19	(c)	577.10	858.97 22/1	557.87 15/5
Turkey					
IMKB Nat 100(1986)	1509.0	1510.6	(c)	1654.00 21/3	995.80 2/1
WORLD					
MS Capital Intl$(1/1/70)	903.3*	902.8	898.7	903.30 21/5	794.50 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2364.38	2337.33	2342.81	2364.38 21/5	1993.80 2/1
FTSE E 100(25/6/90)	2013.07	1987.72	2007.68	2013.07 21/5	1682.99 2/1
HSBC JC Drgn(31/12/88)	(u)	404.60	401.27	429.46 20/1	391.54 29/4
ING Bngs Emrg(7/1/92)	(u)	175.02	174.67	181.33 26/2	159.74 3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
May	2768.0	2780.0	+37.0	2789.0	2764.0	17,126	23,074
Jun	2738.5	2755.0	+38.5	2772.5	2738.5	2,898	28,038
DAX							
Jun	3557.0	3609.8	+83.5	3618.5	3553.0	24,491	–
Sep	3586.5	3635.5	+74.5	3640.5	3583.0	193	–
OMX							
May	2238.00	2264.00	+38.0	2256.00	2237.00	11,470	15,988
Jun	2247.00	2259.00	+35.0	2265.00	2246.75	10,094	12,435
SOFFEX							
Jun	5090.0	5166.9	+114.1	5164.0	5088.0	5,793	21,492
Jul	–	5188.9	–	–	–	–	1,459

US INDICES

Dow Jones	May 20	May 19	May 16	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7303.46	7228.88	7194.67	7333.55 (15/5)	6391.69 (11/4)	7333.55 (15/5/97)	41.22 (8/7/32)
Home Bonds	101.86	102.14	102.10	103.63 (19/2)	101.09 (14/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2673.64	2635.11	2624.63	2673.64 (20/5)	2222.07 (2/1)	2673.64 (20/5/97)	13.23 (8/7/32)
Utilities	221.55	221.72	221.94	240.86 (22/1)	209.47 (25/4)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 7398.02 (7274.71) Low 7123.38 (7140.89) (Theoretical♦)
Day's high 7313.35 (7243.30) Low 7152.64 (7172.42) (Actual♦)

Standard and Poors	May 20	May 19	May 16	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	841.66	833.27	829.75	841.88 (16/5)	737.01 (2/1)	841.88 (15/5/97)	4.40 (1/6/32)
Industrials♦	991.22	982.57	977.49	991.82 (15/5)	865.42 (11/4)	991.82 (15/5/97)	3.52 (30/6/32)
Financial	94.84	93.10	93.08	97.26 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	437.20	434.14	432.44	437.86 (15/5)	389.47 (11/4)	437.85 (15/5/97)	4.64 (25/4/42)
Amex Comp.	590.76	587.48	586.72	603.83 (10/3)	541.20 (28/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1363.88	1341.24	1340.73	1388.08 (22/1)	1201.00 (2/4)	1388.08 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	May 16	May 9	May 2	Year ago
Dow Jones Ind. Div. Yield	1.71	1.71	1.73	2.17
	May 14	May 7	Apr 30	Year ago
S & P Ind. Div. yield	1.68	1.72	1.75	1.92
S & P Ind. P/E ratio	23.89	23.33	22.89	21.26

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Seagate Tec	7,200,500	45¼	——
EDS Corp	6,496,800	36¾	-1¼
Gen Electrl	6,220,300	62½	+1½
Analog Dvcs	5,916,000	27⅛	-⅛
Ford Motor	5,498,000	37½	-1⅛
AT&T	5,342,100	34½	-⅞
Philip Mrrs	5,243,900	42⅝	-⅛
Hewlett Pkd	4,579,700	52⅞	——
Home Depot	4,268,900	60⅝	+1
Chase Mnah	4,238,800	96¼	+3⅝

■ TRADING ACTIVITY

● Volume (million)	May 20	May 19	May 16
New York SE	450.053	398.558	485.778
Amex	15.601	13.903	21.029
NASDAQ	546.231	460.635	574.546
NYSE			
Issues Traded	3,347	3,333	3,344
Rises	1,418	1,397	977
Falls	1,048	1,060	1,439
Unchanged	883	876	928
New Highs	118	91	85
New Lows	7	10	10

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	844.40	849.50	+4.95	849.50	844.20	71,709	181,376
Sep	855.50	857.90	+4.80	857.90	854.60	1,784	11,409

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Jun	20300.0	19820.0	-520.0	20350.0	19780.0	28,751	234,822
Sep	20320.0	19840.0	-560.0	20320.0	19840.0	740	14,335

Open interest figures for previous day.

Base values of all indices are 100 except: Australia All Ord and ... Korea Comp Ex 706.26. Base values of all indices are 100 except Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & ... – 1000; NYSE All Common – 50; Standard & Poor's – 10. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. Taiwan Weighted Price 8141.12; ...

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, May 21, 1997

	Stocks Traded	Closing Prices	Change on day
Tokyo Gas	13.5m	319	+11
Nissho Iwai	12.5m	480	+15
Nippon Steel Cp	7.7m	349	-9
NKK Corp	7.2m	247	-9
Mitsui Osk Lines	7.0m	273	+5
Canon	6.4m	2700	-150
Tokio M & F Ins	6.2m	1430	-20
Minebea	4.6m	1150	+10
Daiichi Kangyo B	4.5m	1320	-70
Nippon Credit Bk	4.3m	255	-7

4 pm close May 21

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24¼	AAR x	0.48	1.6	23	323	30⅞	30	30⅛	-⅝
43	33⅛	AMP x	1.04	2.6	32	4303	39⅞	39	39¾	+⅝
99¼	78¼	AMR			7	3976	u98½	96½	97½	-½
37⅝	31⅝	ASA x	1.20	3.8	21	198	31⅞	d31½	31¾	-⅛
67⅛	49¾	AbbtL	1.08	1.7	25	17806	65⅜	62½	63⅜	-1⅝
17½	14⅛	AbtBit Pr	0.40	2.3	9	159	u17⅝	17¼	17½	+¼
19¾	17⅜	ABM Ind	0.40	2.1	17	247	19⅛	18¾	19⅛	+⅛
23	17¾	Acpincin			10	96	20⅛	20	20⅛	+¼
66⅜	56⅛	ACE Ltd	0.88	1.4	10	1482	62¼	61⅝	62	-¼
10¾	10	ACM Gvt In x	0.90	8.9	11	119	10⅛	d10	10⅛	+⅛
7⅝	7	ACM GrOpp x	0.63	8.5		75	7½	7⅜	7⅜	-⅛
9⅞	9¼	ACM Man x	0.90	9.4		170	9⅝	9½	9⅝	
10⅜	6¼	Acme Elect				78	7	6⅞	6⅞	-⅛
20	13	Acme Mills				96	15⅛	14⅝	15	+½
17⅜	14	ACNielsen			30	1381	17¼	16¾	17	-⅛
37⅛	27¼	Acordia	0.80	2.3	16	203	35⅞	35	35½	-⅜
28¾	21⅛	Acxiom				1953	26⅛	25⅜	25¾	
21¾	19⅜	Adams Expr x	0.55	2.5	1	197	u21⅞	21⅝	21⅝	
48½	24⅞	AdvMic				20533	42⅞	40⅜	41	-1¼
16⅝	10⅜	Advest Grp	0.03	0.2	10	282	u15⅝	15	15	-¼
14⅝	11¾	Advo Inc			18	187	14⅛	13⅞	14	-⅛
75¼	61⅛	Aegon x	1.45	1.9	21	184	u75⅜	74¾	75	+¼

هكذا من الأصل

4 pm close May 21

NYSE PRICES

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close May 21

AMEX PRICES

4 pm close May 21

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$6.25	+0.25	25000	8.25	7
Artwork Systems	US$10.875	+0.125	49275	11	9.5
Chemunex	FFr16		0	18	16
Dr Solomon's ADS	US$21.875	-0.625	13000	26.5	16.875
Esprit Telecom ADS	US$6	+0.375	0	12.25	5.375
Innogenetics	US$11.25		9070	12.75	10.375
Mercer Internal.	US$10.125		0	11.75	8.125
PixTech	US$4.5		0	6.125	4.25

Prices for 21/5/97 Please note that mid prices are now used to calculate highs and lows

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Dow slides lower as bonds weaken

AMERICAS

Wall Street trading was mixed at midsession as blue chips suffered from interest rate fears while technology shares staged a strong rally, *writes Jane Martinson in New York.*

The Dow Jones Industrial Average was down 55.63 to 7,247.83 in spite of an earlier rally which saw it rise 45 points at one stage. The leading indicator had reacted positively to Tuesday's decision by the Federal Reserve's Open Market Committee not to raise interest rates.

The decline in equities late yesterday morning echoed that of the benchmark 30-year bond, which was down 7/16 to 85 15/16 after positive trade deficit figures and a weakening dollar.

Stocks with the greatest sensitivity to interest rate movements suffered the greatest decline. JP Morgan fell $2 to $103¼.

In contrast, technology stocks benefited from several upbeat company results in a rally which saw most of the weakness of the past three months wiped out. The technology-driven Nasdaq composite rose 10.48 to 1,374.36, close to a previous high recorded in January. The Russell 2000, the index of smaller company shares which has also underperformed the larger company indices in recent months, rose 1.26 to 369.46 while the S & P 500 lost 4.31 to 837.35.

Dell Computer powered a large part of the Nasdaq improvement. Its shares rose $7⅞ or 8 per cent to $107½ after first-quarter earnings well above market expectations.

The demand for technology stocks continued to keep IBM out of the blue chip net. It rose $1¾ to $175¼, close to its all-time high.

However, the sector's gloss failed to rub off on Amazon.com, the internet retailer which came to market last week. It fell $2¼ or 11 per cent to $17⅞.

Tyco fell $1⅛ to $61⅝ after announcing the $1.2bn acquisition of Keystone International. Keystone rose $10⅝ or 52 per cent to $31⅛.

TORONTO followed Wall Street higher in early trading and at noon the 300 composite index was sitting on a gain of 30.76 at 6,290.90.

Banks had a good morning with Royal Bank of Canada adding 45 cents to C$59.85 and Bank of Montreal putting on 40 cents to C$53.80. News of a new product lifted Northern Telecom C$1.80 to C$110.40. Seagram stood out against the upturn among leaders, dipping 55 cents to C$52.85.

MEXICO CITY pushed deeper into new high ground, helped by strong gains at Televisa which put on 4.30 pesos to 105 pesos after announcing a cost cutting plan just ahead of the opening bell. At midsession, the IPC index was 26.94 ahead at 3,979.56.

SAO PAULO also improved in spite of a steep setback for Petrobras, the state oil giant. At midsession, the Bovespa index was up 90 at 10,731.

Petrobras fell R$4.00 to R$249 on news of an auction of 500m preferred shares, scheduled for tomorrow.

Bourses chalk up nine more highs

EUROPE

Tuesday's exuberance on Wall Street, after the Federal Reserve held key interest rates, was reflected in nine more all-time highs on continental bourses. But the narrowing of the US trade gap, and resultant bond market weakness both in the US and Europe, had some dealers shaking their heads at the end of the day.

FRANKFURT gave defensive stocks a better time than their cyclical counterparts, although the dollar held up reasonably well. Carmakers, where Daimler fell 10 pfg to DM131.70, were outperformed by financials and most utilities as the Dax index bounced 84.20 or 2.4 per cent to an Ibis-indicated 3,600.40.

Turnover was livelier, climbing from DM11.2bn to DM14.8bn. Among financials, Allianz and Deutsche Bank, often treated as proxies for the broad equity market, outpaced the Dax in spite of late weakness in bunds with gains of DM13.50 or 3.9 per cent to DM362, and DM3.38 or 3.6 per cent to DM98.34 respectively; Commerzbank also stood out with a rise of DM1.77 or 3.7 per cent at DM50.02.

In utilities, also interest rate sensitive, RWE rose DM3.10 or 4.3 per cent to DM75.50, Viag by DM25.50 to DM790 and Deutsche Telekom by 97 pfg to DM39.56.

The odd man out here was Veba, up just 98 pfg or 1 per cent at DM99.50.

Veba's acquisition of a 36.4 per cent stake in Degussa, the chemicals, metals and pharmaceuticals group, was welcomed by analysts. But traders said the price was high; and it was Degussa which took off, rising DM6.80 or 8.9 per cent to DM83.10.

PARIS spiked to a record high on the CAC 40, closing up 35.24 at 2,786.35 in busy volume with 16.1m shares changing hands.

Total gained FFr9 to FFr562 after SBC Warburg upgraded its 1997 earnings targets by 14 per cent. Analysts came away from a breakfast meeting with BNP in upbeat mood and the banking group's shares jumped FFr6.20 to FFr263.80.

BIC, a weak market lately, rebounded FFr30 to FFr910. Havas, which has picked up the European advertising account for Haagen-Dazs ice cream, put on FFr5.10 to FFr439.

ZURICH went for financials initially, and the effect held through to the close where the SMI index came in 97.6 or 1.9 per cent higher at a new peak of 5,178.6.

UBS analysts upgraded their 1997 and 1998 earnings estimates for Swiss Re, forecasting that earnings per share should rise 17 per cent to SFr117 this year, and climb to SFr136 in 1998. They retained their "buy" rating, and the shares rose SFr72 or nearly 4 per cent to SFr1,906.

UBS saw its bearers up SFr47 to SFr1.532 and CS Group leapt SFr6.25 to SFr179.75. Zurich Insurance was the odd man out, rising just SFr1 to SFr485.50 although it forecast double digit profits growth this year.

AMSTERDAM rode to a new high on the back of heavy trading in ING after the banking and insurance giant revealed sharply higher restated earnings. The AEX index ended 16.48 better at 803.93.

ING surged Fl 4.70 or 5.9 per cent to Fl 84.80 in 6m shares traded following the disclosure in a US listing prospectus that 1996 earnings were Fl 1.35bn higher under US accounting. News of a big Italian order helped lift Hoogovens Fl 3.90 or 4.4 per cent to Fl 93. KLM rose Fl 1.60 to Fl 59.80 following a full year results statement plus management changes.

Nedlloyd provided the one upset of the session, sliding 60 cents to Fl 48.20 on profit-taking in spite of an upbeat first-quarter results statement.

MADRID hit new highs both in the general index, which rose 12.54 or 2.3 per cent to 560.10, and in turnover which leapt 50 per cent, from just under Pta120bn to Pta180bn.

There were outstanding performances in banks, where Bankinter jumped Pta1,400 or 5.9 per cent to Pta25,200; in construction, where Dragados put on Pta200 or 7.35 per cent at Pta2,920; in utilities, with Iberdrola Pta90 or 5.3 per cent higher at Pta1,795; and in communications, with Telefónica up Pta175 or 4.3 per cent at Pta4,220.

However, dealers said that sheer buying pressure had pushed trade into the bigger stocks.

The Nordic bloc boasted three new peaks:

- **STOCKHOLM**'s general index moved up 33.94 to 2,835.85, Ericsson getting the New York lift with a rise of SKr7 to SKr273.50 and Astra, with another three US patents for its anti-ulcer drug, Losec, ending SKr7.50 to the good at SKr273.50.
- **OSLO** saw the total index rise 18.39 to 1,140.67.
- **HELSINKI** left Nokia, a US favourite, up FM12.90 at FM348; Rauma, the engineer, FM5.90 higher at FM120.90 on a share buyback plan; and Raisio up FM15 at FM415 after saying it would create a separate business unit for its Benecol, cholesterol-reducing margarine. Here, the Hex index rose 62.57 or 2.1 per cent to 3,097.71.

MILAN added 92 to 12,527 on the Mibtel index with sentiment said to be given a clear boost by the May inflation figures which boosted hopes for an early reduction for interest rates.

Stet improved L23 to L8,670 on hopes for television and telecommunications reform. Tim gained L93 to L5,295. London buying was said to have driven Olivetti up L26.80 to L518 as the group confirmed its latest disposal.

VIENNA made its own, new high ground with the ATX index closing 19.75 or 1.55 per cent better at 1,290.11; it was driven by OMV, up another Sch39.80 at Sch1,574.80 as investors bet the oil and chemicals group would figure in the new FT-SE Eurotop 300 index.

Written and edited by William Cochrane and Jeffrey Brown

FTSE Actuaries Share Indices — THE EUROPEAN SERIES

May 21 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2353.41	2357.73	2358.74	2361.35	2363.47	2363.78	2364.49	2364.38
FTSE Eurotrack 200	2376.72	2381.05	2381.23	2380.58	2384.55	2384.64	2385.46	2385.14

	May 20	May 19	May 16	May 15	May 14
FTSE Eurotrack 100	2337.33	2342.61	2352.25	2328.95	2328.47
FTSE Eurotrack 200	2359.41	2375.03	2382.24	2367.57	2370.96

Base value 1000 (26/10/90); Highday: 100 - 2366.57, 200 - 2387.90 Lowday: 100 - 2351.74 200 - 2376.72. † Partial.

S Africa rallies in modest trade

Johannesburg rallied on the back of a rebound for industrials and the all-share index closed 21.0 higher at 7,127.2 after a session of modest trading volume.

Industrials put on 24.2 to 8,396.2, helped by a number of special features. Liberty Life rose R1.25 to R131 after an upbeat presentation on Tuesday evening. Amplats rose R1.30 to R31 amid talk that long awaited restructuring was imminent. Sasol gained R1.25 to R55.25.

Golds ended on a dull note, giving up early steady gains. The golds index showed little change at the close, adding 0.4 at 1,213.7.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: May 16 1997	Dollar terms: % Change over week	Dollar terms: % Change on Dec '96	Local currency terms: May 16 1997	Local currency terms: % Change over week	Local currency terms: % Change on Dec '96
Latin America	(248)	657.54	+0.3	+22.2			
Argentina	(30)	1,084.35	+1.3	+14.1	664,998.44	+1.3	+14.0
Brazil	(68)	529.06	-0.2	+33.7	2,115.21	-0.1	+37.3
Chile	(46)	733.25	-0.6	+18.2	1,228.97	-0.5	+16.5
Colombia[1]	(14)	833.74	-0.1	+31.7	1,583.13	-0.6	+40.3
Mexico	(64)	608.43	+1.0	+14.9	2,069.65	+0.8	+15.2
Peru[2]	(17)	242.09	+0.9	+23.0	393.72	+0.7	+26.0
Venezuela[3]	(9)	758.41	+1.4	+4.2	8,442.17	+1.8	+5.9
Asia	(709)	230.54	-3.6	-8.8			
China[4]	(27)	78.52	-10.5	+6.5	+82.18	-10.5	+6.4
South Korea[5]	(156)	75.44	+3.8	-2.3	88.40	+3.5	+3.0
Philippines	(42)	228.53	-3.7	-22.2	291.11	-3.7	-22.0
Taiwan, China[6]	(90)	170.72	-0.4	+11.4	177.75	-0.2	+12.3
India[7]	(77)	94.30	-0.2	+19.7	119.93	-0.3	+19.7
Indonesia[8]	(49)	120.92	-3.9	-5.3	160.04	-3.6	-2.3
Malaysia	(148)	286.42	-5.4	-14.9	262.58	-6.3	-16.3
Pakistan[9]	(28)	234.93	+0.2	+20.0	431.42	+0.2	+20.7
Sri Lanka[10]	(5)	110.60	+1.1	+16.3	141.28	-0.2	+20.1
Thailand	(87)	144.89	-8.4	-34.6	148.84	-8.8	-34.0
Euro/Mid East	(264)	158.94	+0.3	+18.4			
Czech Rep	(7)	60.76	+2.8	-13.4	61.70	+3.0	-2.8
Egypt	(16)	99.06	-1.9	-	98.92	-1.9	-
Greece	(54)	383.61	+5.0	+58.3	701.68	+5.0	+73.3
Hungary[11]	(12)	253.75	-2.0	+29.0	551.78	-1.7	+44.2
Jordan	(7)	192.33	+1.3	+3.0	287.02	+1.3	+2.9
Morocco	(5)	129.91	-0.8	-	133.10	-0.8	-
Poland[12]	(30)	721.95	-0.1	-1.4	1,429.79	0.0	+8.4
Portugal	(28)	177.80	-0.3	+21.7	208.45	-0.2	+33.7
Russia	(15)	130.31	+6.9	-	133.52	+7.0	-
Slovakia	(5)	109.83	+0.2	-	112.47	+0.5	-
South Africa[13]	(63)	234.79	-1.1	+12.5	216.92	-0.7	+7.7
Turkey[14]	(58)	197.99	+3.3	+33.1	12,876.03	+4.8	+68.9
Zimbabwe[15]	(5)	563.03	-0.0	+18.9	937.17	-0.1	+24.2
Composite	(1221)	315.52	-1.3	+7.0			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Hungary, an emerging stock market favourite with a near four-fold gain since the start of 1996, ran into profit-taking yesterday with the Bux index closing off 39.55 at 5,848.20, *writes Jeffrey Brown.* But east European specialists remain relaxed. They point to the way that new issue funds are being soaked up by the $200m tranche in Richter, the big pharmaceuticals group, and suggest that a pause for breath looks in order anyway after the recent strong gains.

Having risen by 29 per cent in local currency terms this year and hit a record high of 5,885.17 at the end of April, there is a widespread feeling the Bux could be heading for a period of relatively subdued trading. Second-quarter economic data may provide the next lead. By August investors could have a clearer picture of subsiding inflation plus favourable news on the trade account where the deficit is widely expected to continue to shrink.

Share prices this year have been driven by economic recovery and strong corporate profits. Some broker estimates point to earnings growth of 29 per cent for both this year and 1998. Inflation, which came close to 24 per cent last year, could be down to 15 per cent on average for 1998. With Poland and the Czech Republic offering significantly less earnings dynamism, a 1997 price earnings ratio of around 13 for Hungary is said to err comfortably on the right side of fair value. At about $7bn, Hungary's capitalisation remains the smallest of the eastern European "big four" but liquidity has improved dramatically. Little more than $5m at the end of 1995, average daily volume is close to $20m.

Currency concerns drive Tokyo down

ASIA PACIFIC

Concerns about the yen-dollar exchange rate and renewed speculation about an interest rate increase drove **TOKYO** down, and the Nikkei 225 average dropped below the 20,000 level, *writes Gwen Robinson.*

The 225 index slid 490.85 or 2.4 per cent to 19,841.98 after moving between 19,763.88 and 20,322.43. The dollar rebounded to the Y114 level following the previous day's plunge to Y111, but investors were not reassured and continued to sell blue-chip exporters on concerns about the impact of foreign exchange turbulence on earnings.

Speculation about a possible increase in rates, though ruled out by many economists, was fuelled by reports that a Bank of Japan official told Japanese trade union leaders that the central bank was pondering the right timing to raise the official discount rate, currently at a historic low of 0.5 per cent.

Volume eased from 437m shares to 436m. Declines led advances by 886 to 245 with 121 unchanged. The Topix index of all first-section stocks fell 27.57 to 1,475.99 and the capital-weighted Nikkei 300 was down 5.93 at 285.13.

Among leading issues, Canon slid Y150 to Y2,700, Sony Y180 to Y9,550 and TDK Y310 to Y8,590. Fuji Photo Film fell Y170 to Y4,310 and Bridgestone was down Y170 at Y2,580.

Carmakers retreated. Toyota was down Y100 at Y3,480 and Honda Y150 at Y3,480 in spite of strong earnings announcements from both this week.

Financials continued their downward slide on the spreading scandal around Nomura Securities involving corporate racketeers.

Dai-Ichi Kangyo Bank fell a further Y70 to Y1,320 following prosecutors' raids on its Tokyo headquarters; Nomura fell Y20 to Y1,390 and Nikko, meanwhile, fell Y27 to Y691 following reports that its affiliate, Nikko Securities Investment Trust and Management, had engaged in illegal bond trading.

In contrast, some domestic-orientated issues, including retailers, fared well. Daiei was up Y18 at Y790 on foreign buying. Tokyo Gas added Y11 to Y319; and the trading house Nissho Iwai rose Y15 to Y480 on strong earnings.

In Osaka, the OSE average fell 303.97 to 20,756.39 and volume eased to 17.8m shares. In London, the ISE/Nikkei 50 index fell 2.36 to 1,534.98.

BANGKOK continued to rally, extending its gain to almost 7 per cent over three sessions, with the SET index up 19.09 at 596.19 in turnover of Bt6.3bn.

Buying was underpinned by reports that the newly formed government support fund had entered the market. Investors were also said to have focused on the recent positive news about Thai exports, which rose 4.8 per cent in March.

All key sectors made progress, with banks heading the performance charts with a sector gain of 5.2 per cent.

MANILA liked the US interest rate decision and the composite index broke a four-day losing streak to close 39.59 or 1.6 per cent higher at 2,538.97. However, part of the rebound was attributed to agricultural data showing real first quarter growth of 4.2 per cent, compared with 2.5 per cent a year ago.

SYDNEY's banking and finance houses moved on the FOMC decision with a sector index gain of 1.9 per cent. National Australia Bank took the lead with a rise of 38 cents at A$18.18, as the All Ordinaries index gained 12.5 to a record high of 2,543.2.

Fears about the profit effects of a squeeze on Australian lending margins had pushed the banks index down by almost 5 per cent in the previous week. In industrials, the cigarette maker Rothmans jumped 70 cents or 8.4 per cent to A$9 on doubled profits and a A$1 a share special dividend.

- **Singapore, Kuala Lumpur, Colombo and Dhaka** were closed for a Buddhist holiday.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MAY 20 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MAY 19 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (76)	230.47	-0.1	207.61	165.60	203.08	198.19	-0.0	3.86	230.69	208.73	169.43	204.75	198.19	231.52	188.44	205.68
Austria (24)	194.58	2.4	175.28	139.81	171.46	171.41	1.6	1.89	190.11	172.01	139.62	168.73	168.88	195.04	174.70	188.15
Belgium (26)	247.66	0.2	223.11	177.96	218.24	213.66	-0.5	3.35	247.17	223.64	181.53	219.38	214.74	248.96	206.70	208.34
Brazil (30)	257.47	1.0	231.93	185.00	226.87	506.24	1.1	1.41	254.97	230.70	187.26	226.30	500.95	257.47	162.65	169.97
Canada (113)	202.05	0.2	182.01	145.18	178.04	200.89	0.3	1.93	201.56	182.38	148.04	178.90	200.22	203.31	154.12	163.45
Denmark (32)	389.42	0.7	350.79	279.80	343.14	341.87	-0.0	1.48	386.76	349.94	284.05	343.27	341.88	389.62	292.69	295.73
Finland (26)	270.46	1.1	243.66	194.35	238.34	289.93	0.3	1.57	267.68	242.20	196.60	237.58	289.08	273.12	186.67	194.26
France (91)	229.54	-0.5	206.78	164.93	202.26	205.55	-1.2	2.76	230.67	208.72	169.42	204.73	207.98	232.34	188.94	195.48
Germany (59)	210.01	-0.8	189.18	150.89	185.05	185.05	-1.6	1.53	211.81	191.65	155.56	187.99	187.99	213.45	167.18	169.06
Hong Kong (66)	504.83	1.1	454.76	362.73	444.83	501.59	1.1	3.01	499.46	451.92	366.83	443.30	496.27	514.49	407.55	431.21
Indonesia (27)	222.78	0.3	200.68	160.07	196.30	333.81	0.3	1.71	222.18	201.03	163.18	197.20	332.91	-	-	-
Ireland (16)	346.90	-0.3	312.50	249.26	305.68	318.65	-1.0	3.06	348.11	314.98	255.67	308.97	321.77	350.96	270.06	278.96
Italy (59)	91.23	0.5	82.18	65.55	80.39	113.67	0.1	2.21	90.81	82.17	66.69	80.60	113.54	98.32	73.26	84.10
Japan (485)	135.36	1.5	121.94	97.26	119.28	97.26	-0.7	0.81	133.33	120.64	97.92	118.34	97.92	158.25	107.57	157.64
Malaysia (107)	518.08	1.3	466.69	372.25	456.51	498.82	1.4	1.35	511.32	462.65	375.54	453.82	491.73	660.85	510.10	566.22
Mexico (27)	1425.06	0.9	1283.72	1023.94	1255.70	12292.53	0.8	1.22	1412.71	1278.24	1037.58	1253.85	12193.68	1445.68	1110.35	1291.54
Netherland (19)	368.99	-0.2	332.40	265.13	325.14	320.96	-0.8	2.44	369.61	334.43	271.46	328.05	323.63	372.95	279.88	293.01
New Zealand (14)	87.46	0.1	78.78	62.84	77.06	67.09	0.0	4.29	87.35	79.04	64.15	77.53	67.10	95.60	75.94	80.16
Norway (41)	303.00	0.6	272.94	217.71	266.99	290.15	-0.2	2.12	301.32	272.64	221.30	267.44	290.60	321.23	243.86	243.86
Philippines (22)	148.80	0.3	134.04	106.91	131.11	195.56	0.3	0.85	148.37	134.25	108.97	131.69	195.00	-	-	-
Singapore (42)	389.85	1.4	351.18	280.12	343.52	257.00	1.1	1.17	384.57	347.97	282.45	341.33	254.23	446.01	360.08	411.07
South Africa (44)	358.57	0.1	323.01	257.64	315.96	350.09	0.1	2.43	358.29	324.19	263.15	318.00	349.78	370.12	301.49	355.18
Spain (35)	249.95	2.0	225.16	179.59	220.24	270.12	1.2	2.43	245.14	221.81	180.04	217.58	266.94	249.95	171.91	178.19
Sweden (49)	456.94	2.0	411.62	328.32	402.64	511.84	0.5	2.02	448.01	405.37	329.04	397.63	509.29	456.94	334.35	358.08
Switzerland (35)	292.28	0.2	263.29	210.01	257.54	254.80	-1.4	1.32	291.77	264.00	214.29	258.96	258.38	293.62	229.36	232.91
Thailand (43)	64.03	1.3	57.68	46.00	56.42	62.40	0.0	5.00	63.23	57.21	46.44	56.12	62.40	180.09	59.76	177.90
United Kingdom (211)	299.40	-0.3	269.71	215.13	263.82	269.71	-0.8	3.68	300.33	271.75	220.58	266.56	271.75	303.18	229.63	231.94
USA (652)	340.38	1.0	306.62	244.57	299.93	340.38	1.0	1.80	337.05	304.97	247.55	299.15	337.05	340.47	254.79	274.42
Americas (822)	311.30	0.9	280.42	223.67	274.30	262.06	1.0	1.79	308.36	279.01	226.48	273.69	259.58	311.30	233.09	250.69
Europe (725)	261.56	0.0	235.62	187.94	230.48	239.39	-0.8	2.65	261.68	236.77	192.19	232.25	241.22	263.79	204.71	208.83
Nordic (150)	392.82	1.5	353.86	282.25	346.14	381.68	0.3	1.88	387.02	350.18	284.24	343.50	380.46	392.82	291.45	302.70
Pacific Basin (882)	152.75	1.4	137.60	109.75	134.60	110.81	-0.3	1.28	150.72	136.38	110.70	133.77	111.17	170.85	127.18	170.49
Euro-Pacific (1607)	198.16	0.6	178.51	142.38	174.61	159.97	-0.6	2.03	197.02	178.26	144.70	174.86	160.28	198.16	173.55	186.35
North America (765)	331.89	0.9	298.97	238.47	292.45	331.12	1.0	1.80	328.76	297.47	241.46	291.79	327.98	331.89	248.65	267.55
Europe Ex. UK (514)	235.29	0.1	211.95	169.06	207.33	217.58	-0.8	2.07	235.04	212.67	172.62	208.61	219.25	236.84	185.65	191.02
Pacific Ex. Japan (397)	304.19	0.8	274.02	218.57	268.04	264.76	0.8	2.82	301.88	273.15	221.72	267.94	262.74	320.65	268.97	280.45
World Ex. US (1821)	201.27	0.6	181.30	144.61	177.35	165.52	-0.5	2.02	200.13	181.08	146.99	177.63	166.33	201.27	176.94	187.60
World Ex. UK (2262)	240.24	0.9	216.41	172.62	211.69	210.21	0.3	1.72	238.15	215.49	174.91	211.37	209.59	240.24	199.59	212.66
World Ex. Japan (1988)	302.03	0.6	272.07	217.02	266.14	290.60	0.4	2.15	300.22	271.65	220.50	266.46	289.53	302.21	233.10	245.97
The World Index (2473)	245.32	0.8	220.99	176.27	216.16	215.68	0.2	1.92	243.47	220.29	178.81	216.09	215.27	245.32	202.32	214.45

Latest prices were unavailable for this edition. Market closed 20/5/97: Thailand.